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H.R. 2406, THE UNITED STATES HOUSING ACT OF 1995

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON BANKING AND
FINANCIAL SERVICES

HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

SEPTEMBER 29, 1995

Printed for the use of the Committee on Banking and Financial Services

Serial No. 104–34

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H.R. 2406, THE UNITED STATES HOUSING ACT OF 1995

FRIDAY, SEPTEMBER 29, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING
AND COMMUNITY OPPORTUNITY,
COMMITTEE ON BANKING AND FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 2128, Rayburn House Office Building, Hon. Rick Lazio [chairman of the subcommittee] presiding.

Present: Chairman Lazio, Representatives Hayworth, Cremeans, Heineman, Kennedy, Vento, Waters, Roybal-Allard, Velazquez, and Frank.

Chairman LAZIO. Good morning. The subcommittee will please come to order.

I want to welcome everyone to the subcommittee. I know we have an excellent panel here today and I want to thank everybody for coming in to testify before the subcommittee.

I am going to ask unanimous consent that my opening statement be placed in the record as written.

Without objection, so ordered.

Today, we are here to begin a very difficult but very exciting process. That is making changes, historic changes in the way government works.

On Wednesday, I introduced, with several of my colleagues, H.R. 2406, the United States Housing Act of 1995, which is the first step in replacing HUD and its 244 programs with a new way of providing assistance to local communities and individuals in America.

Today's hearing will deal with public housing and to some extent assisted housing, some of the most serious challenges we face in the process.

Public housing, I don't have to tell anybody here, has a poor reputation. Press reports detail stories of crime and drugs. There is virtually universal agreement that public housing is struggling. There have been many prominent failures, not just in Chicago or D.C., but throughout the country.

Congress and society have not done enough for public housing residents who remain locked in poverty by ineffective, outdated policies. Government for too long has relied on more spending as a solution to policy failures while generations grew up in poverty.

Today, we draw the line. We will not be bound by outdated policies. We will not be restricted by what our predecessors have done or have failed to do.

Some say that plans to get rid of the old way of providing public housing are an attempt to abandon the Nation's most disadvantaged populations because of the failures of only a few authorities. They call this death by anecdote. HUD Secretary Henry Cisneros has been criticized by some members of his own party for attempting to destroy public housing.

In fact, the majority of public housing authorities in this country do a good job of providing affordable housing to deserving families. The U.S. Housing Act of 1995 supports those efforts and removes barriers that keep those PHAs from doing an even better job. But let's not forget that the roughly 100 or so that are classified by HUD as severely distressed have almost one-quarter of all of the public housing units in this country.

We should look at public housing as two very distinct challenges. In one case, we should empower effective, well-run housing authorities to do a better job. However, for those that are chronically troubled, we must admit the failure and end the monopoly of a failed management structure.

The reality of our current fiscal situation is that there are fewer dollars to go around. But as we will hear today from witnesses, the good PHAs really can do more with less if they are allowed to operate at the best of their abilities.

I welcome the input of my colleagues and encourage them all to focus on policies and not politics. Do not relegate yourself to the sidelines by nay-saying change. We should all embrace this tremendous opportunity to look at the government's priorities honestly and to work to improve this bill.

There are a number of Members with this subcommittee on either side of the aisle with experience and genuine concern about these issues. I say unequivocally that if any Member, Republican, Democrat or Independent wants to play an active, positive role in shaping this legislation, they are welcome.

I would also like to take this opportunity to let the subcommittee Members know more about how I intend to move this bill.

As you all know, we will be holding a field hearing next Thursday in Chicago to discuss troubled public housing. We will be holding another hearing on October 13 to discuss section 8 housing and other issues dealt with in this bill. It is my intention to move this markup as quickly as possible, but to be certain that Members continue to have an opportunity to examine the bill and take an active part in refining it. I look forward to working with the Members of the subcommittee and thank you all for being here.

I want to also just quickly summarize, I think, some of the high points of the bill, at least conceptually. This is the beginning of a process to repeal a Depression-era bill and replace it with a housing policy that is relevant in the 21st century. We are attempting to solicit input for the creation of accreditation boards that professionalizes the minimum standards necessary to achieve a level of adequate service for our Nation's communities.

We establish a community service criteria for those who are able to contribute to their own housing projects. We institute the concept of graduation from public housing. We are giving more power to local entities to allow them to fashion local solutions, giving more opportunities to local not-for-profits, community development

corporations and others to introduce more competition into the framework in an effort to try and have fewer bureaucracies, fewer bureaucrats talking to bureaucrats, more people helping people.

We are trying to stress home ownership and providing new tools for PHAs to reach out and bring the dream of home ownership through rental assistance, converting to homeowner assistance, counseling, and other creative ways, including interest rate buydowns and other financing mechanisms that will bring the possibility of home ownership to more.

With that, again, I want to thank the panel, and I would recognize anybody else who wants to make an opening statement.

[The prepared statement of Hon. Rick Lazio can be found on page 54 in the appendix.]

Yes. Ms. Velazquez.

Ms. VELAZQUEZ. Thank you.

Thank you, Mr. Chairman, and thank you for finally holding these hearings.

As a Member who represents one of the largest public housing populations in the country, I feel they are long overdue.

My colleagues, public housing in America started off very differently from today. During the 1930's, America made a commitment that having adequate housing was not a privilege, but a right under the New Deal, with the knowledge that everyone deserved safe and affordable housing. To fulfill this commitment, we undertook a program that aimed to provide adequate housing for everyone who needed it.

In those days, people living in public housing were the very backbone of our society. They were the blue-collar workers of our factories. They were new immigrants to our Nation, individuals who were looking for a fresh start. Back then, living in public housing was an honor, not a stigma.

Over the years, the Housing Act of 1937 has become antiquated and outdated. Clearly under today's needs, this statute has become to cumbersome and at a minimum, in need of significant overhaul. All the accompanying rules and regulations have stifled creativity in public housing for the past several years.

As we come here today to sort out the problems with this act, we will hear many Members, especially those on the other side of the aisle, tell us that they are here today to save public housing. We all know there are problems with our public housing. There is not enough safe, affordable housing, but by government programs that have helped the poor and middle-class families, Republicans have made a bad situation worse.

You have sent a message loud and clear. You have said that defense spending was more important than homes for housing. Giving tax breaks to those who don't need them was more important than providing rent assistance to the working poor. In a time when our public housing stock is in need of major investment, Republicans have cut it in half. In the ensuing weeks, the debate on public housing must address the fact that we have a real need in this country for affordable housing.

This debate was not to make public housing the price for deficit reduction, nor should this hearing serve as a vehicle to do away with public housing programs. What matters is that we have a des-

perate need in this country to increase quality, low-cost housing for the poor and moderate-income families.

During his recent address to the Congressional Hispanic Caucus Institute, President Clinton spoke of how America needed to act more like a community and less like a crowd. In a community, you care about the well-being of others. In a crowd, you only care about yourself.

I can think of no better place to demonstrate that we are willing to act like a community than addressing our public housing crisis, and we can by finding a solution which provides adequate, safe and affordable housing for all that need it.

Thank you, Mr. Chairman.

Chairman LAZIO. Thank you very much.

I am going to go out of order and recognize Mr. Heineman who has a pressing obligation with the DC Task Force.

Mr. Heineman, you are recognized for 5 minutes.

Mr. HEINEMAN. Thank you, Mr. Chairman.

I hadn't intended to get political, but it is not the way this hearing started off. Let me say that I have been in law enforcement for 38 years. I started my law enforcement in Harlem U.S.A., back in 1955, and up until last year, I was Police Chief in Raleigh, North Carolina, with only 2 days' break between both those careers.

I have seen public housing since 1955 up to 1994, and it is a disgrace. Don't let anybody tell you it is a disgrace because of the Republicans. The Republicans have not had this House of Representatives in the past 40 years and I am not going to say who has had control of this House in the past 40 years and its funding, but it was not the Republicans.

I was there almost every day for the past 40 years. I can tell you about the horrors of public housing and it tears me apart, to be honest with you, because I have worked with public housing in the past 15 years and I have worked very hard for that and I have seen the dangers of it and I have seen the captive people in it, held captive for 40 years.

Now, let me read my opening statement, Mr. Chairman.

I want to thank you for scheduling this morning's hearing on H.R. 2406, the United States Housing Act of 1995. I want to thank you for crafting this important housing reform legislation which I am pleased to cosponsor.

I also want to welcome our panel of distinguished experts in the field of public housing. I look forward to your testimony.

Mr. Chairman, there is a crisis in our inner cities today. The American people know that. Drugs, crime, welfare dependency and the breakdown of family are destroying the very fabric of urban life. The great cities that our fathers and grandfathers built with good old fashioned American know-how are in desperate trouble. Teenage pregnancies are at record levels, deadbeat dads are abandoning their children and running away from their responsibilities. Street gangs are infiltrating more and more neighborhoods and the American people are asking, what is happening to this great Nation?

As a former chief of police of Raleigh, North Carolina, I know that we cannot win the fight against crime with our families falling apart and our cities crumbling around us. We must salvage our

troubled cities, and a bold, innovative housing policy may well be the key.

Fortunately, Mr. Chairman, there are many Americans who are prepared to tackle this problem head on if we let them, and H.R. 2406 will provide a blueprint for housing policies that work. This is still the greatest Nation in the world and I am convinced that if we remove the bureaucratic shackles imposed from Washington, there is still plenty of that good old fashioned American know-how left to rebuild our cities, remove the drugs and crime from the streets, and restore fathers to the family home where they truly belong.

Mr. Chairman, that is a tall order, I know. These failed housing policies are at the very heart of our current problems in the inner cities. For almost 60 years, our housing policies have come from one law, the Housing Act of 1937. In those 60 years, a lot has changed in this country, but our housing bureaucrats in Washington still want to use 1930 solutions for 1990's problems. We need new thinking for a new era.

For example, I was shocked to learn that current housing law actually punishes fathers if they choose to live with their families in public housing rather than leave home. The legislation before us today fixes the problem by reforming the family income eligibility requirements of our public housing and section 8 housing programs. Under the new proposal, a father can remain in the family home and add his income to his family's income without having to pay a financial penalty to the government. H.R. 2406 will empower local communities, rather than Washington bureaucrats, to make the decisions on how best to provide public housing assistance.

Mr. Chairman, this housing legislation is a critical first step to put decisionmaking authority back to the local level where the American people want it, rather than a distant Federal office building in Washington. In my home State of North Carolina, we are fortunate to have many well-run public housing authorities, and it is only right that they should be given greater flexibility to innovate and experiment to provide the best public housing with the limited resources available. For the few public housing authorities that are not currently doing their job, they will be replaced.

Mr. Chairman, there is much work yet to be done to provide safe and affordable housing for those who need it. I know my colleagues on both sides of the aisle share the same desire to produce real reform in public housing, and I am looking forward to working with you in the weeks ahead.

Mr. Chairman, I enjoy working with you on the D.C. Task Force. Myself being in public safety and you being in the housing, having been designated by the Speaker of the House to function in those regards. I enjoy working with you here in this subcommittee and I do enjoy working with you on the D.C. Task Force, and I thank you, Mr. Chairman.

Chairman LAZIO. Thank you, Mr. Heineman.

Mr. Kennedy.

Mr. KENNEDY. Thank you, Mr. Chairman.

Mr. Chairman, first of all, I want to congratulate you on the fact that you have drafted this bill and that we are having this hearing. I think it is important that we do move this process forward.

As we have discussed in recent weeks, we face a real danger of becoming completely irrelevant if we do not act soon. The appropriations bill is full of legislative language and the reconciliation bill dealt heavily with housing, and all of this occurred without any action on the part of the authorizing committee. So I am glad we are moving forward and congratulations to you on introducing the bill.

On the other hand, I am also very concerned that most of the Democratic Members on this subcommittee are seeing the bill for the first time this morning. In fact, it seems that some of the witnesses have had more involvement in the drafting of this bill than the Democratic Members of this subcommittee. I know I have never been consulted and I don't believe that any of the other Democratic Members have either.

The lack of consultation is a real disappointment because I think that there are many areas of agreement between the Democrats and Republicans. We all agree that we need to give local authorities greater flexibility, that we need to create mixed-income communities, which means establishing ceiling rents so working families can stay in public housing without paying above-market rents. We also agree that HUD must move much more expeditiously in getting rid of lousy public housing authorities and projects within even well-run authorities that give the whole program a bad name.

We could have moved forward together in these areas, even though we disagree in others, and I hope we will see more consultation as we move forward in the future.

I also want to reiterate a point I made during the press conference yesterday at HUD concerning the announcement of a HOPE VI grant for the Boston Housing Authority, a program that, it should be noted, the Republicans have killed. Every time a politician from either side of the aisle wants to make a point about a failed social program, he finds the worst public housing he can find to hold a press conference.

It needs to be said over and over that the vast majority of public housing authorities, more than 3,300 out of the 3,400 in this country, do a good job. They run high quality housing. There is bad public housing and there are bad housing authorities, and I support the efforts, such as those in this bill, that make it easier to get rid of those problems. But we must stop making public housing a public whipping board.

Ultimately, we need PHAs to adopt the same business practices that apply in the private sector as real estate management. We need to judge them on how they provide the quality of their housing.

For example, PHA should develop management plans and budgets on a project-by-project basis. Right now, housing authorities are given lump sums of money to cover the operating costs of all their units. Most authorities don't even have a handle on what the cost of running any particular project is. This takes a crucial management tool out of their hands.

For example, many public housing projects spend a fortune on utilities, some of which are being retrofitted with energy-saving equipment, saving lots of money for the authority. If there were project-specific budgets, property managers would be better in-

formed as to what exactly is the driving cost upwards in their projects, whether it is utilities or some other cost. Armed with this knowledge, public housing property managers could start addressing problems, and in the process, save a lot of money.

Instead, HUD spends too much time evaluating PHAs on process issues, such as personnel policies, procurement policies and others, when the only true measure should be the quality of the homes being provided to the tenants. Adopting this asset management approach alone would eliminate the need for much of the present red tape. It seems that this legislation does move in that direction and I hope we can push it a little farther down the road.

From the little time I have had to look over this legislation, I do want to raise a couple of very serious concerns. First, this bill eliminates income targeting, except that a family cannot make more than 80 percent of the area median income. As we all know, the median income for public housing tenants is about 16 percent of the area median (about $6,000 per year), in spite of the fact that about 35 percent of the nonelderly residents work and receive a majority of their income from wages.

I have no doubt that we ought to bring a greater mix of incomes into public housing so that we have a more vibrant community, but at the same time we need to know that the very poorest people in our society have a place to live. Requiring PHAs to make sure that a fair portion of their units are put aside for the lowest-income Americans is fair and justified and I will note that the Senate Republican housing bill requires that 40 percent of the units be targeted to people earning 30 percent of the median income or less. Under the Republican proposal, Boston families making up to $40,000 per year would be eligible for public housing. That is fine, but we ought to guarantee that someone making $5,000 per year can get in as well.

My second major concern is that the legislation before us eliminates the Brooke amendment, thereby allowing public housing authorities to charge any rent regardless of the affordability to existing tenants. This means that an elderly woman with a $6,000 income, about average for a public housing resident, pays about $150 a month in rent under the present law, which she rents for about 30 percent of her income.

It seems that under the Lazio bill, the housing authority could set the rent for the building at any level. So for a nice unit in Charlestown, the BHA might rent the unit for $400. The elderly woman would have to come up with an extra $250 a month or move out.

The combination of these two options could lead PHAs to raising rents to drive out the poorest tenants in favor of the tenants closer to 80 percent of the income level. Undoubtedly, this will make it easier for housing authorities, but this type of displacement creates a serious risk to the most vulnerable tenants and I would hope we can address this problem.

I am very well aware of the fact that some of the witnesses before us are stuck in a dilemma. They are facing severe cuts and feel only that by serving families that can pay more rent will they be able to survive financially.

Let me assure you that I am sympathetic to your plight. But I am not going to accept restrictions imposed on us by a Republican budget that cuts funds for housing to shreds in order to provide a tax cut for the rich. B–2 bombers have received more money, Star Wars receives more money and other forms of corporate welfare and all the things that my Republican colleagues on this subcommittee have supported nearly unanimously.

If we are interested in real public housing reform, we would be spending more money, not less, to bring homes up to code, to create jobs, and to train residents to take those jobs and to make sure that kids living in public housing have recreational opportunities, adequate child care so their parents can work, and decent schools and health care.

Despite the best intentions of the chairman, which I believe are sincere, we will not solve the problems of public housing if we are not willing to spend the money on it to do so.

Thank you, Mr. Chairman.

Chairman LAZIO. I thank the distinguished ranking Member.

I just wanted to add two things. One is that I am gratified that apparently there is a good deal of common ground on this and that we can continue to work together.

The second thing is, that just to correct a possible perception, the subcommittee staff has told me that all of the staffs have had for at least 2 weeks the draft of the bill. Possibly, you could look into that.

Mr. KENNEDY. Mr. Chairman, wait a second.

I met with the housing staff last evening and they told me they had received this last evening.

Chairman LAZIO. Let me just say, Mr. Kennedy, we are not going to rush this through. We are going to have a hearing in Chicago. We are going to have at least another hearing before any consideration of a markup. So I give you my word that there will be plenty of opportunities for you to both digest it and to provide input and for us to have additional hearings to consider these things.

Mr. KENNEDY. I appreciate it.

If I could just respond very briefly, Mr. Chairman, the difficulty of course is that the bills that have taken into account a lot of the measures that you have discussed in this, in your proposals, are already being implemented by virtue of the reconciliation bill and the action that has been taken on the House floor. So while we might take our time in making these changes, the changes are already taking place regardless of what this subcommittee does anyway. So that is why I am concerned about the relevancy of any of this.

Chairman LAZIO. I understand that. We do not have any appropriations bills that have been signed into law, nor do I expect one in the immediate future, unless you have information other than what I have with respect to what the Administration's plans are.

Mr. Hayworth.

Mr. KENNEDY. Well, when are you having the hearings? If we are serious about it, obviously you have got a period of time of 6 weeks or so that you have got before this thing is going to be resolved one way or another. So are you holding hearings and you expect to markup on the House floor in the next 6 weeks?

Chairman LAZIO. This is the beginning of the hearings on the direction I would like to go in terms of authorizing.

Mr. Hayworth.

Mr. HAYWORTH. Mr. Chairman, I want to thank you, not only for holding this hearing, but also, your extreme patience for those who want to conduct a rather free-wheeling discussion, perhaps not strictly adhering to the time limits involved.

These hearings today will help us examine the strengths and weaknesses of our Nation's public housing system. I applaud your dedication to improving the quality of life and opportunities for residents of public housing.

As we have heard in testimony before this subcommittee in the past, indeed as we have heard amplified in previous opening statements, it is worth noting that only about 100 of the Nation's 3,400 public housing authorities are classified as severely distressed. This is cause for concern, however, because those troubled PHAs represent almost one-quarter of the public housing units in America.

Now, obviously the flip side of that statistic is that the majority of PHAs provide safe, decent homes for thousands of Americans. In my home State of Arizona, despite the challenge of providing housing in urban, rural and border areas, as well as on Indian reservations, most of the PHAs do an excellent job.

During the April recess, I toured public housing in Chandler, Arizona, and was very impressed by the quality of the housing that city is able to provide.

However, the success of some PHAs, such as those in Arizona, does not mean there are not problems with our housing system. Clearly, we must take decisive action to turn around troubled PHAs, but we must also work to improve the system for well-run PHAs which struggle to carry out their mission while faced with an excessive and ofttimes unproductive regulatory burden.

Mr. Chairman, the legislation you have just introduced to replace the United States Housing Act of 1937 will provide immeasurable help to well-run PHAs, allowing them to focus on providing housing, not just complying with Washington's bureaucratic rules and regulation, and I am pleased to join you as a cosponsor of this legislation.

Mr. Chairman, another area of great concern to me is housing for Native Americans. I understand that you are still working on language that will specifically address the needs and concerns of Native American tribes.

I hope to work with you and with our colleague from Nebraska and indeed those on the minority side of the aisle who have been advocates here in Congress for the housing needs of Native Americans to follow through on our treaty obligations and help improve the conditions of Indian housing.

I look forward to hearing the testimony of the witnesses who have joined us here today. I would like to thank them for being here, and I look forward to working with you, Mr. Chairman, and with other Members of this subcommittee to modernize our Nation's system of public and Indian housing.

Chairman LAZIO. I thank the distinguished gentleman.

The gentleman from Minnesota, Mr. Vento.

Mr. VENTO. Mr. Chairman, this is a difficult hearing, based on the topic at hand and the realities that we face as a Congress. The fact is, Mr. Chairman, that with the reductions in funding, unless someone here is capable of the miracle of the loaves and fishes, I think there are some big problems ahead for public housing.

I am sort of underwhelmed by the fact that a lot of local authorities are seeking more flexibility. That is what you would expect. I think that is the normal course of events. We would expect that they would seek greater and greater flexibility.

I would remind all my colleagues and others here that these rules and regulations and all this red tape just happens to be the way that we put laws into effect, that we in fact advance policy. The idea of course of retreating and combining this all into block grants is an interesting theory advanced initially by Mr. Nathan for some projects, but it also has had its shortcomings in terms of what the impact is in terms of carrying forward with adequate funding.

I think within that problem, of course, as I know everyone represents good and have good public housing authorities here today and intend to, we know that sometimes the block grants seem to be judged on the basis of the lowest common denominator in terms of what goes on in terms of the politics and policies that flow from them.

Now, to say the least, we are late into the cycle. We passed a rescission bill in which the appropriators wrote language, I guess with someone's advice, maybe yours, Mr. Chairman, that we pass another appropriation bill for 1995, of course. That was the rescission bill, and for 1996, we passed an appropriation bill, and of course we have put in motion another reconciliation bill, all of which have profound changes in terms of public housing and programs in which we all share an interest.

I understand the necessity to move forward, that there is a change in the Congress. Whether or not we have to go back and symbolically change the 1937 law in order to accommodate that, I think that is another question. I note that you left the 1949 law alone. But the fact is that I think that there is a tremendous—for all of the criticism that might be laid at the feet of public housing and the Federal role in terms of housing, that there has been a tremendous amount of success, that millions of families are served by these programs and that they have been collaborative programs with the States and with my local government and I know with others.

So I think that sometimes the controversy and the problems that we face really are not as serious as sometimes is projected, but that they represent special problem spots or issues when the lowest common denominator becomes the basis on which to judge these programs.

I find many, many concerns and many questions within this. I think at a time when we are facing increasing housing costs, increasing numbers of individuals that, under anyone's guidelines would be eligible to receive the housing assistance, which incidentally has never been an entitlement, we find that the numbers of dollars we have to put in it are declining, while the need is even greater.

Mr. Chairman, this has translated into a lot of hardship for individuals in our society. It is drug related, the wages and the economic consequences of—that flow from our economy today, and it has given rise to problems that weren't even on the radar screen 20 years ago, like homelessness. And so I think we have been dealt a very tough hand in order to guide Federal policy.

I hope that we can make the most out of that. But I am now under no illusions that simply moving to a block-grant-type approach is going to solve the problem.

Hopefully, flexibility will do it and that the programs will persevere, but the history of block grants is very mixed with regard to accomplishing that. In fact, very often it has resulted in the atrophy of important programs that have been block granted, freezing the funds, a diminishment and retreat from the basic goals of providing affordable, sanitary and safe housing for many, or for the services rendered, and I think in this case, for those that are served.

So I hope we can make the most of what we have left here, but I think we have got to keep fighting for the change in priorities and needs and recognize them in the context with other needs and priorities that the Federal Government has set in its budget.

Thank you, Mr. Chairman.

[The prepared statements of Hon. Henry B. Gonzalez can be found on page 57; and of Hon. Luis V. Gutierrez on page 60 in the appendix.]

Chairman LAZIO. I thank the distinguished gentleman.

I want to thank the witnesses for their written testimony. I believe all Members should have that. Their written testimony will be placed in the record without objection.

I am going to provide a brief introduction to each of the panelists, thank them again for coming and move from there.

First, John Hiscox, I thank you for coming.

Mr. Hiscox has been instrumental in leading the charge for reforming the way rent is calculated in public housing. A study that he conducted, along with other executive directors in the State of Georgia, showed that the existing law actually created disincentives for residents living in federally subsidized housing to work. Many of his suggestions are included in this legislation.

I want to thank him for his help.

Mr. Robert Armstrong, welcome.

I am pleased to have Bob Armstrong here today. Mr. Armstrong's housing authority is at the forefront of providing not only clean, safe and affordable housing opportunities for its clients, but social services as well. I am looking forward to hearing more from him, and whether the model he has created in Omaha, which is an inspiring model, can be replicated in other places in the country.

Welcome.

Mr. Gregory Byrne, President of the Council of Large Public Housing Authorities, CLPHA. Mr. Byrne took over an extremely troubled authority, and has turned it around. Today it is performing extremely well using private management companies to operate the developments. It will be interesting to learn how he has tapped into the private marketplace for services and continues to manage and operate the daily functions of the housing authority.

Ms. Bertha Gilkey is the President of Cochran Resident Management Corporation of St. Louis. Ms. Gilkey has been at the forefront of tenant management since 1976. Under her leadership, the Cochran Tenant Management Corporation has rehabilitated a development that was in extremely bad condition. She didn't stop there, however. Now the corporation owns other developments and has founded businesses for employing the residents. The model that she has created is used in other cities in the United States, as well as in England.

Good morning.

Ms. Christine Oliver, who is President of the National Housing Conference. Ms. Oliver is familiar to many of you here as the person who wrote the Mixed Income Demonstration program, the program designed to revitalize troubled urban communities utilizing public housing as a base of operation while stimulating economic development in the surrounding community. It has been successful in Chicago. Mixed-income developments have been touted as the wave of the future. I am looking forward to learning more about her program.

Welcome.

And finally, Jackie Johnson, Chairperson of the National American Indian Housing Council. I would like to express my special thanks to Jackie Johnson for being with us today. She has undoubtedly come further for this hearing than anyone else, having flown overnight from Alaska to be with us this morning.

I thank you for all your effort.

The field of Indian housing is an especially difficult one. The trust nature of reservation land, the lack of development on many reservations, and at times the lack of understanding between cultures has made private investment on reservations all too rare.

Our challenge in Indian housing therefore goes beyond regulation and streamlining. Our challenge extends into helping create opportunities for developing a strong private housing market in Indian country.

I want to thank you very much for being here. Although we haven't included a Native American housing grant in this particular legislation, we are continuing to work on that and I appreciate your input.

I want to thank again all the panelists for being with us today and looking forward to hearing from you.

Mr. Hiscox.

STATEMENT OF JOHN HISCOX, EXECUTIVE DIRECTOR, MACON HOUSING AUTHORITY, ON BEHALF OF THE PUBLIC HOUSING AUTHORITIES DIRECTORS ASSOCIATION

Mr. HISCOX. Thank you, Mr. Chairman. We appreciate the opportunity to be here.

I am Vice President for Legislation for the Public Housing Authorities Directors Association. We represent over 1,700 professional authorities.

We find very much to admire in the bill. There is a boldness, there is a willingness to explore new solutions. It is a brave step, perhaps even a risky one, to repeal the act of 1937, but it may be

that instead of chipping the odd barnacle off the old ship, maybe what we need is an entirely new hull.

I would like to skip over the technical details. We have submitted written testimony concerning many of the things that are in the bill and would like to go instead to two major issues. The first is accountability. The second is rent reform.

On accountability, several of the Members have already raised problems about the tension between the need for accountability and the need to deregulate, and there is a widespread view that we have two choices. At one end, we have the rigorous piles of regulations and handbooks we have at one end of the continuum, and at the other, we replace HUD with a giant computerized check-writing machine and give PHAs and local governments a blank check.

All we are arguing about is where on the continuum between those two we are going to be. It may very well be that we need to get off of that continuum altogether and take an entirely new look at both deregulation and accountability.

Let me just say for the record that we don't believe in passing the buck. We recognize that the community improvement plan is a good start. We have some questions about HUD's ability to process all of those approvals. We strongly favor language that either exempts or has reduced requirements for smaller PHAs, those below 250 units.

We agree with an overhaul of the PHMAP system. The accreditation approach provided for in the bill certainly looks like an excellent beginning.

We strongly favor the post-audit system. As my colleague, Rick Gentry from Richmond, told the Senate yesterday, banks don't prevent people from writing bad checks by requiring them to fill out 10 pages of forms before they cash the check.

There is a strong need to increase the quality of post audits, including not just financial audits, but compliance audits and program audits, audits that go all the way back on self-certifications on PHMAP, and so forth, all the way back to the source documents.

Finally, on accountability, I want to say that the people who run good public housing are tired, sick and tired of taking the rap for a dozen or so of the worst PHAs in the country. We strongly support the increased powers to be given to the Secretary to deal with these, but we would point out that many of those powers have been there all along and what has been lacking has been the mandate to deal with these.

We are glad to see that the Secretary is beginning to take this seriously in the agencies like Washington, D.C., in Chicago, but in order to impact this program, we need to go still further. We must stop rewarding failure.

About 3 days ago, HUD sent me this nice certificate for being a high-performing housing authority. This is a nice certificate. Cost HUD about a dime. There is another housing authority in my State that is seriously and chronically troubled, a prime candidate for HUD takeover.

They just got a $49 million HOPE VI grant. Now, if you look on the scale of things as to whether HUD is really rewarding the behavior that it says it wants, which is a more powerful incentive, this 10-cent certificate or the $49 million?

To summarize on accountability, we want you to know that PHADA stands ready to support major process deregulation paired with performance-based accountability, kept honest by post audit.

Now to rent reform. A series of very bad policy decisions over a period of about 15 years has engineered a negative demographic revolution in public housing. And the negative social consequences of that reversed demographic revolution are well-documented.

The core problem, as we have shown in documents we have submitted to your subcommittee, are the powerful negative incentives in the public housing rent structure which discourage employment. The highest marginal income tax rate in this country is not paid by a millionaire; it is paid by a poor person who lives in public housing and receives a welfare check who decides to go to work.

In the State of Georgia, we have run it on computer models for over 20 States. In the State of Georgia, it is the equivalent of a 120 percent marginal income tax rate. You wind up—you earn a dollar, you wind up $1.20 worse off. Not surprisingly, this has been a financial and social disaster for public housing.

We praise the good work that was done by this subcommittee with the rent reform provisions that were considered as part of the housing bill last year. Your bill goes still further. There is good language on ceiling rents, but the most important part, and we want to praise this, is there is local freedom to establish exemptions from earned income.

Whatever is done in negotiating over this bill, I must point out that this is the most important single factor. We have got to address the inequity between earned and unearned income. Theoretically, public housing rents are the fairest system in the world. Everybody pays 30 percent, right?

It doesn't really work that way. If you are an AFDC recipient living in public housing, you are actually paying about 21, 22, 23 percent of your net cash income for public housing rent. If you are minimal-wage employee, not middle income, mind you, minimum wage, you are paying 43, 44, 45 percent of your net cash income for rent.

Every public housing administrator knows that when you have an employed resident, that if they are getting paid every Friday, it is going to take two of their four checks to pay their rent in public housing. Surely this was not the intent of public housing.

For people who have legitimate concerns about screening out the low income from public housing, they have visions of us turning public housing into middle-income housing, I assure you that is not going to happen. There is no way it is going to happen. But what we can do is create a situation in which housing administrators, like myself, see a vacant apartment and know in the next 30 years we can rent that apartment to three low-income families, as opposed to three generations of the same low-income family. Public housing has historically been an engine for upper—has historically been an engine for upper mobility. We need to restore it to that purpose.

Last but not least, there is a connection of course to rental income. Public housing was essentially bankrupted in the late 1960's and early 1970's when they lost the capacity to set their own rents

and decide who they rented to. The performance funding system rescued us from that, but it rescued us from that at great cost.

PFS has been rising at 2.2 times the rate of inflation since the middle 1980's. This bill would sever the relationship between our operating subsidy and our rental income. If that is done without—if that decoupling is done without turning us loose with more freedom of who to rent to and what to charge them, we will certainly go bankrupt.

The irony though is not that we will save public housing financially by raising people's rents—raising the rents of people who can't—who are too poor to afford them. In most cases, the relief will come from reducing people's rents so that they can afford to go to work and afford to stay there.

I would point out that in the early 1980's, the most disastrous of the changes, going from 25 percent to 30 percent of rental income, elimination of deductions from earned income were themselves touted as a cost-savings measure. In 1981, we made those changes. We eliminated ceiling rents. We eliminated ceiling rents. We eliminated the deductions from earned income, and immediately the public housing operating subsidy dropped from a hair less than $1.5 billion to $1.15 billion. Somebody got a brass plaque for that, I am sure.

As soon as the exodus, the forced march of the working poor from public housing began, operating subsidy took off. This graph can be turned upside down. We will have, if we reduce people's rents, reduce the rents of working people, we will have an initial short-term hit, a short-term cost, but it will be followed by a steady growth, a steady growth in our rental incomes and a reduction in the demand for operating subsidy, not because we have driven the working poor from our—I mean, driven the welfare poor from our neighborhoods, but because we have given the very people we serve now the opportunity to better themselves by their own efforts.

Thank you very much.

[The prepared statement of Mr. John Hiscox can be found on page 64 in the appendix.]

Chairman LAZIO. I thank the gentleman.

STATEMENT OF ROBERT ARMSTRONG, EXECUTIVE DIRECTOR, OMAHA HOUSING AUTHORITY, ON BEHALF OF THE NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT

Mr. ARMSTRONG. Thank you, Mr. Chairman, and good morning Members of the subcommittee.

I want to thank you, sir, for letting me appear here, and also to congratulate you and your staffs for putting together what I think is a wonderful piece of legislation heading in the right direction.

As you know, I am the Chief Executive Officer of the Omaha Housing Authority in Omaha, Nebraska, and I also serve as the National President of NAHRO, the National Association of Housing and Redevelopment Officials.

I don't want to get into a lot of specifics here. I want to talk, if I may, about the important issues, as we see them, in this legislation and what is happening across the country. The most important national issue as we see it right now is deregulation, decontrol.

There seems to be—this is the first piece of legislation I have seen that seems to have some trust in the fact that 97 percent of the housing authorities throughout this country are well-managed and we have been looking for an opportunity to be able to use those well-managed authorities to show what actually can be done in public housing. I think this legislation heads in the direction of giving us the opportunity to do that.

It appears that every time we try to be innovative or creative in trying to provide services for our residents, that there is some regulation or rule that keeps that from happening, primarily the Brooke amendment, which is very, very detrimental in trying to help people get out of public housing. It keeps them in.

We happen to have in Omaha some of the most advanced programs of any housing authority in the country. I would like to think that we are about 5 years ahead of most, and we have a series of things that we have done that would enable our residents to become self-sufficient.

Everything we do in Omaha is designed to get people out of public housing in a positive way and not to keep them dependent upon the government for their existence. We must have the freedom and the flexibility to coordinate and collaborate on a local level to solve local problems. I happen to have here a map. If I could show it to you briefly, and could I rise to come up to that map to tell you what it is?

Chairman LAZIO. Yes.

Mr. ARMSTRONG. If I may, we have in Omaha 3,429 units of public housing. We also have in Omaha 3,825 units of section 8. Section 8, all kind of section 8 programs, certificates, vouchers, mod rehab, what have you. I want to show you the difference of what happens when you have a well-run housing authority and a community that wants to solve its own problems in public housing, and when you have section 8 where you are reducing the revenue allowances from 45 FMRs to 40 percent FMRs, and I will show you what happens with this. This is what is; not how it could be or should be. This is how it is today.

We have 3,429 units of public housing. As you can see, we have had a systematic program of taking those units and spreading them throughout the city of Omaha in the seven city council districts. Our plan over the next 15 years is to make sure that we have an equal number of public housing units in each of the seven city council districts. That has been approved by HUD. That has been approved by the city council and that is the plan we are working with.

This light here is a development, a project, and we have demolished this project and the people are being disbursed throughout the city in single family homes, duplexes, four-plexes. That is what can happen when you have the freedom and the guts, if you will, to do a public housing program designed to help people become self-sufficient and not try to keep them there forever.

On the other hand, if you look at this section 8 map, this is the impacted area in the city of Omaha, and because of the 45 FMR—45 percentile, you find that 85 percent of all section 8 units are located in the so-called impacted area. While people talk about giving people choice in section 8, the choice is very limited because what

they can afford to pay is only in one part of the city. So I say to you, caution all of Congress, when you talk about lessening the FMR's in section 8 of voucherizing public housing, you can do a much better job of public housing distribution throughout a city and a community than you can by voucherizing public housing because all you are going to create are larger and larger ghettos and larger and larger social problems by having people in this kind of location.

So I would say to you, sir, and your committees, again, I commend you for the legislation. We look forward to working with you, and we are hoping that we can have the flexibility and the decontrol necessary to allow us to tailor programs that meet our local needs and to allow us to help our residents to become self-sufficient and taxpaying citizens.

[The prepared statement of Mr. Robert Armstrong can be found on page 74 in the appendix.]

Chairman LAZIO. Thank you very much and thank you for your testimony.

Mr. Armstrong, do you have anything that you could give to the subcommittee, any kind of overlay or paper that would reflect that?

Mr. ARMSTRONG. Yes. I will send it back.

Chairman LAZIO. Thank you very much. That would be helpful.

I will be glad to distribute them to the subcommittee when I get them.

[The information referred to can be found on page 145 in the appendix.]

Our next speaker is Mr. Gregory Byrne, who is Executive Director of the Dade County Department of Housing and Urban Development on behalf of the Council of Large Public Housing Authorities.

STATEMENT OF GREGORY A. BYRNE, EXECUTIVE DIRECTOR, DADE COUNTY DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, ON BEHALF OF THE COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES

Mr. BYRNE. Thank you, Mr. Chairman.

In the interest of time, I would like to summarize CLPHA's position. The subcommittee has recognized appropriately that we have a system that has not been successful. We need a new scheme, and you have gone right for it by repealing the 1937 Act, although we are still assessing whether you have removed any vital organs. There is still a lot to digest.

In the main, we like what you have done. H.R. 2406 goes a very long way toward the overdue reform of public housing and ending suffocating Washington intervention. Both Congress and HUD should be worried about how the assets look and are operated, not the method by which we do it.

We believe that public housing should remain but not necessarily in the same form, size, or shape. Housing authorities need to use resources far more flexibly than they have been permitted in the past if they are to address the unique circumstances of each community.

With the bill, you will see a lot of motion in public housing. You will see new ways of meeting local housing needs. Public housing will become far more vibrant, efficient and improved.

Among some of the things that we very much like: It repeals the Federal preferences, which have been largely responsible for establishing socially stultifying communities; it repeals the one-for-one replacement rule, which has been one of the single greatest impediments in allowing PHAs to discard high cost and obsolete projects; it repeals the statutory interpretation requiring PHAs to admit nonelderly into elderly buildings, although we think there are some inadequacies in the way it is written; it repeals the restrictions on setting ceiling rents; it merges the voucher and certificate program, a long overdue improvement; it repeals various unfunded mandates, like family self-sufficiency; and it makes good use of negotiated rulemaking for the complicated formula issues.

As I said, all these we greatly support. They are fundamental to enable PHAs to ride out the turbulent fiscal times ahead. There are a few refinements though. We think the bill is silent on income targeting and we think it is very important that a certain percentage of these proceeds be used to serve the poorest of the poor, and we are recommending 40 percent go to those below 30 percent of the median income. We think that such targeting provisions would be a welcomed addition to the bill.

We also think the bill is silent on affordability provisions for the very poor, which we think has been one of the mainstays of the public housing program over the years and should be maintained. And, for the poorest of those in public housing, there should be protections on rent charges.

We also believe you are on the right path to accreditation. The housing plan, the financial audit, accreditation is really what we need.

We know that HUD has not been good in the oversight of public housing. The Secretary yesterday, in a hearing in the Senate, mentioned that HUD staffing is going from 12,000 to 7,500, so the capability of HUD to administer these programs is going to be greatly diminished and we are not even their biggest problem. Expiring use, the mark-to-market, and all that are going to consume an enormous amount of HUD's time in the next couple of years, so we need some other system to monitor and regulate public housing and I think you are moving closer to that.

We also think that these days we have got billions of dollars in both the tax credit programs and the CDBG programs that are given out with very little oversight from HUD, so we think that, indeed, the scheme that you are moving toward has great merit. But we would like to talk with you more about who is on that accreditation panel, and we believe it should include some element of peer review—people who really know the programs—but also people who are experts in private real estate, which we think has been lacking over the years in the public housing industry and within HUD. There is certainly a very long history of accreditation with hospitals and other types of industries. So we need to go out and find out more about that. We don't have all the answers for you but we certainly pledge to give a special effort to plumb it out.

In closing, I would just say that this is a bill that, with some adjustments, will create far more challenging and dynamic communities and it could allow PHAs to rid themselves of some bad and obsolete assets and provide for the proper management of the residual stock.

However, we must be real about the funding crisis that we face. And, if you don't believe me as a public administrator, you should ask the private management companies that manage 20 percent of my housing stock. We believe that, in Dade County, the performance funding system is about adequate to run public housing. We gave the private firms the same money to operate as we get, and the proposed appropriations cuts will cripple the smooth operation of not just the rest of my stock but the properties managed by the private firms. Certainly one answer is to move more higher-income families into public housing, but we need also to be realistic about how much and how quickly that can happen.

Thank you.

Chairman LAZIO. Thank you very much. Again, I appreciate your written testimony as well.

[The prepared statement of Mr. Gregory A. Byrne can be found on page 89 in the appendix.]

Our next witness is Ms. Bertha Gilkey who has worked very closely with the staff, and I certainly appreciate all the help that she has provided.

Good morning, Bertha.

STATEMENT OF BERTHA GILKEY, PRESIDENT OF COCHRAN RESIDENT MANAGEMENT CORPORATION

Ms. GILKEY. Good morning, Mr. Chairman, subcommittee Members. It is indeed an opportunity to come before this subcommittee.

I am very much in support of this bill. However, there are some concerns I would like to raise.

Prior to that, I would like to give a brief background on Cochran Gardens. Cochran Gardens is a public housing development that is located in the heart of the city of St. Louis. Cochran is approximately about 55 years old. My mother was one of the first black families to move into Cochran through the Desegregation and Segregation Act. We lived in tenement housing right next door to Cochran. It was a beautiful place to live. We happened to live in a tenement housing with no water, running water, outside toilets, right in the city of St. Louis.

When we had the opportunity to go into Cochran, to pass by Cochran, it was one of the most beautiful communities that anyone could live in. When mother moved into Cochran, it was well managed. The grounds were well maintained. The buildings were well maintained. It was managed as any other private housing complex. Gradually, as Cochran became more and more black, female heads of household, the services began to disappear, as the management began to worsen.

In the early 1960's, Cochran became a hell hole. Gangs were everywhere. Random shootings all night long, gang members climbing up the patios, breaking into units, stealing cars, burning them up in front of the buildings, shooting innocent children, robbing pedestrians who would pass by Cochran coming from downtown work.

Cochran became so notorious that people would go 20 blocks to keep from passing the Cochran Gardens complex.

Cochran is exactly six blocks from the infamous Pruitt Igo. Pruitt Igo was blown up in 1973, housed 13,000 residents, majority women and children. Cochran was scheduled to be blown up in 1974, but at that time our Congressman, Congressman Leonor Sullivan—because it had gotten that bad, that out of control. Cochran was 894 high-rise units. By 1976, only half of Cochran was occupied. We had 400-some vacancies.

The tenants in our community, along with many other leaders in St. Louis, led a national rent strike that caused the housing authority to go into bankruptcy. The one thing that we asked them was, give us the right to manage. We had no idea what resident management was. We simply knew that our conditions could not get any worse.

In 1976, Cochran Tenant Management signed a contract with the St. Louis Housing Authority. At that time there was no CFR 964 that gave the tenants the right to manage, and yes, also the right to control the operating budget. So the housing authority gave us a management contract, paid us $69,000 a year, when they were receiving $3 million a year for subsidies and rents, and told us to manage the property. If we could not do so, then give the property back.

Cochran Tenant Management then became very aggressive and creative. We began then to create joint partnerships with the private sector. Cochran Tenant Management today has created over 150 jobs. These are residents that at one time were on welfare, have not to date returned back, are fully paying their way in this society. Cochran Tenant Management has created tenant-owned businesses with private developers. We currently jointly own 1,700 units of private market rate housing.

When syndication was the thing in America, our Resident Management Corporation saw a profit of $1,500,000 off the syndication alone. Those dollars were returned back into our management operation. Cochran Tenant Management established a catering company through subcontracting with the Department of Aging and Department of Child Nutrition.

We feed 2,000 elderly residents and day care centers on a day-to-day basis. We employ 75 residents in our tenant-owned catering company.

Cochran Tenant Management also formed a joint partnership with a private cable company. Today, we are owners of a cable company. Not only do we—not only have we installed cable in our own complex, we have now contracts to do it in other private-owned housing complexes throughout the city through a joint partnership, then joint ownership.

Cochran TMC, through our initiatives and through our ability to manage Cochran as it should have been managed under the housing authority have achieved a savings, and we have only been in control of our operating budget funds since 1992. We have achieved a savings of $1,800,000 that we now have been able to reinvest back into other initiatives.

We privately fund a college program, a scholarship program for young people in our community to go to college. As long as they do

community service work, we provide a grant scholarship that does not cost the Federal Government or the taxpayers a dime. It is from our savings. It is from our investments.

Today, Mr. Chairman, I would like you and the subcommittee Members to turn to the last sheet. You will see the Cochran Retail Center. Cochran Tenant Management is now in the process of building a mall, a mini mall. We have already attracted tenants who have already signed 6-year leases with us, paying us real rent, and 7 percent of their monthly profits will go back into Cochran. Again, as a way that we will use to offset the cuts that are propose the—that are coming down under this new Administration.

I would like to summarize by saying, Mr. Chairman, and subcommittee Members, that resident management clearly is an alternative in managing public housing in this country. Residents do not want to be taken care of. That is a myth. We have the abilities, the skills, the insight, and yes, the vested interests in taking over managing our public housing developments and/or buildings.

As you know, Mr. Chairman, you have visited one of the sites that I work with in Chicago, 1230 North Burling, that exists with 28 other buildings that are managed by the housing authority. It is as different as night and day between the management of 1230 versus the management of the 27 buildings that are controlled by the authority.

The housing authority takes $460,000 from their operating budget. That group manages that building with only 40 percent of the operating budget, while the housing authority keeps 60 percent, yet their building is well managed while the housing authority's 27 are poorly managed.

The case I want to make this morning, Mr. Chairman, is that Cochran Tenant Management did not get there without training. The TOP/TAG grant is essential. Residents need the ability to acquire the skills, the fundamental skills to be able to sit at the table to negotiate with the private sector, to negotiate with the authority, to understand the rigorous and complicated regs and bills and laws that they must understand if they are going to become CEOs of large corporations.

I am convinced, Mr. Chairman, this morning, if we want to change the quality of life in public housing in this country, that we must reinvest in the people. We must not take care of them. We must not see them as the problem. We must see them as the solution. We must see them as legitimate partners in the process of retaking and reclaiming our cities.

We can do it, Mr. Chairman, much cheaper than the bad housing authorities. We can do it much less costly even than the private management companies because we live there, we have a true vested interest.

Finally, I would just like to briefly cover a couple of the issues in the bill. The Brooke is essential. One of the impediments that we have run into in our ability to employ residents, that once we give them a job, the rents go to 30 percent of their income. If their son goes to work, it is 30 percent of the total family income. So there is a disincentive to work. So what people do, they end up quitting the job, not because they don't want to work, but simply

because they are penalized for working, while their neighbor who doesn't work gets all of the Federal benefits.

We don't want to penalize people for working. We don't want to force people to lie and to cheat just to go to work. However, my neighbors who live now next door to me, my very wealthy neighbors who are now condo dwellers and market renters, pay $400 a month for a 2 bedroom apartment, while I have public housing residents to whom we have put to work who are earning $6.80 an hour and $9.76 an hour who are paying close to $600 to $700 a month for rent with no amenities, none whatsoever. It is these—and then they often move out of our community. So we lose that leadership. We lose that role model, and most importantly, we lose that rent that then offsets the contribution from the taxpayers.

Mr. Chairman, it is very important that in the accreditation board that is proposed in this bill, that residents also be given the opportunity to serve on this board and also to receive the needed training.

Thank you.

[The prepared statement of Ms. Bertha Gilkey can be found on page 97 in the appendix.]

Chairman LAZIO. Thank you very much, Ms. Gilkey.

Ms. Oliver.

STATEMENT OF CHRISTINE OLIVER, PRESIDENT AND CEO, CHICAGO DWELLINGS ASSOCIATION, ON BEHALF OF THE NATIONAL HOUSING CONFERENCE

Ms. OLIVER. Thank you, Mr. Chairman.

In the interest of time, I am—first of all, let me say I am grateful to be here today and have an opportunity to discuss something that I have spent the last 6 years of my life working on, and that is mixed-income housing, which I feel very strongly about.

In the interest of time, most of NHC's comments have been incorporated into the testimony of the other witnesses and I will just ask that my testimony on those issues be incorporated into the record, and also mention that we may also submit additional comments next week.

Chairman LAZIO. Thank you.

Ms. OLIVER. I would like to also take an opportunity to congratulate yourself and your staff on the amount of work that you have done in putting this bill together. It is an innovative and comprehensive alternative to the current Federal policies and programs. It has provided us with increased flexibility at the local level, which is needed, and provides increased choice and residency for families that are receiving assistance, all of which are very important to us.

It is clear that in order to fulfill the promise of providing the secured, well-maintained housing that we are all so concerned about today, many of our public housing communities must undergo a substantial transformation. Necessary for the stabilization of these communities is a return to social and economic diversity in the resident population. Creating mixed-income housing is one way to accomplish this.

My direct experience, as you mentioned earlier, with mixed-income housing in Chicago has been predominantly related to the

work which I have been doing since 1989 with a program called MINCS, or Mixed-Income New Community Strategies.

I would have to say, much to my chagrin, it is my understanding that H.R. 2406 repeals the enabling legislation for MINCS. However, I am rather an unabashed optimist and I have decided to snatch victory from the jaws of defeat and declare success, therefore, I am delighted to say and recognize that the programmatic components and policy objectives of MINCS are interwoven into your bill, in effect, reflecting your intention to make mixed-income housing available on a national scale.

I am, therefore, hopeful that years of hard work on the part of many advocates has paid off and I am happy to say that I think mixed-income housing has come of age again.

I wanted to sincerely commend you for having the vision to propose bold, innovative program such as mixed-income housing, that needs to be implemented to change our public housing communities.

I would like to say, however, that demonstration programs often represent some of the most innovative ideas for addressing hard-to-solve problems, and as such, they embody notable and worthy concepts which should not be lost. So I would like to direct the subcommittee's attention to what the MINCS precepts were, because I think there is a lot to be learned from them. MINCS is an innovative national model for community revitalization which was created to establish healthy, stable, socially, economically mixed communities which accommodate rather than isolate nonworking poor families.

The strategy employed by MINCS was to design a program which would not only change the nature of hard to develop communities in which public housing is located, but also address the problems which are often endemic in public housing itself. And it is working in Chicago. MINCS has been implemented at the Lake Parc Place Public Housing Development in Chicago's near southside, and we are in the process of implementing it at Cabrini Green, at the neighboring Orchard Park Town Homes, which is a private town home community which my company, Chicago Dwellings Association is currently developing.

The goals of MINCS are to return public housing to its original purposes of providing transitional housing to the working poor and a springboard to economic opportunity for the nonworking poor. Its purpose is to encourage economic development of low-income families and also—and this is an interesting aspect of it, to develop new, affordable mixed-income housing in communities surrounding public housing developments and new units which are available to public housing authorities at no cost to the housing authorities or to the Federal Government. In this process, no public housing units are lost and units for very low-income families can be preserved.

The program is best understood if we take a look at the three components: The public housing revitalization component enables public housing to serve working and nonworking poor by permitting a significantly higher percentage of the housing units and in existing public housing developments to be occupied by working families. This establishes a socioeconomic mix of residents in the public housing developments. The working families serve as role

models for both children and adults and help foster a more stable social environment. I am pleased that the concept of changing working and nonworking families in public housing has been incorporated into your bill because I feel that it is crucial in changing the nature of public housing itself.

Working families must also be offered an incentive to encourage them to move into and remain in existing public housing developments, and there are really three basic things which they need to have: They need to have security; they need to have amenities that they can reasonably expect to find in the private market; and they need to have an economic incentive.

The security issue is obvious. People don't want to move into a building unless they know that they and their families will be secure and safe. They are also looking for amenities which oftentimes are not included in public housing. Certainly in Chicago they have not been there. Such things as clean, well-maintained buildings, adequate storage space, wooden cabinets in the kitchen, vanities and shower heads, yes, shower heads in the bathrooms, and doors on the closets.

These seem rather basic, but I would like to point out that in Chicago public housing, this whole range of amenities can be found only at Lake Parc Place, which is the MINCS demonstration building, and has been recently renovated as part of that program.

The third incentive, economic benefit, is very important to working families. Working families that are public housing eligible are not affluent. They are living on the edge and generally need to cut costs wherever they can. By offering public housing to working families, it gives them an opportunity to save money, to establish themselves, and then move on to home ownership, move into the private market, but at the same time it helps to stabilize the public housing itself.

Important to being able to do this for working families is the establishment of ceiling rents. And based on my experience in Chicago, I would urge that the subcommittee examine how the ceiling rent provisions are designed. In Chicago, much of the public housing there is located in some of the most valuable—on some of the most valuable real estate in the city, but also within some very affluent communities, Cabrini Green is a good example of that. Were we to look at market rents as a barometer for where the ceiling rents should be placed, I think you would find that within a few blocks of Cabrini Green, there are town homes which sell for $450,000. There are rental units which rent for $1,000 or $1,500 a month. So the importance of how ceiling rents are set can't be underestimated.

I would also like to point out that the provision of ceiling rents in the greater percentage of eligible working families within public housing under this program creates a financial bonus for the housing authority. The housing authority will realize increased rental income because the ceiling rents are significantly higher than the average rental contribution received from the average housing resident, and they are sufficient to cover the operating costs of the unit.

Under the MINCS program, the cost of the operating subsidies which are now covered by the working families' rents, those sub-

sidies can now be used to rent units in the private sector. The private housing development component uses these available rent subsidies as a means to create incentives for private developers to build new mixed-income housing in the blighted communities. Of the new housing that is developed, 75 percent is affordable to—moderate-to middle-income families and 25 percent is to carefully screened public housing residents.

The important issues here are that the development cost of the market rate units are supported by the rent, while the development cost of the low-income set-aside units are brought down through a combination of subsidies, such as low-income housing tax credits, the provision of vacant land or abandoned buildings by the city, and local property tax abatement. The rents are, as I said, fully covered by the public housing subsidies.

It is useful to note—I would like to point out that one of the benefits of the MINCS model is that it shifts the responsibility for the development and the ongoing management of the public housing units located in the private development to the private owner. It, in effect, privatizes the development process. The development costs are borne solely by the developer, reduced in part by whatever local assistance may be available, therefore it saves the taxpayers money, in addition to creating new public housing units.

Moreover, the other thing that MINCS has shown is that mixed-income developments can stabilize blighted neighborhoods by creating more affordable housing. One of the issues which I would like to point out to the subcommittee is the need to strengthen the ownership provisions of the mixed-income portion of the bill to include a clarifying statement that local housing and management authorities may rent units solely owned by private entities. In other words, go out into the private sector and rent these units without participation in the ownership by the housing authority.

Another component of MINCS is the supportive services and economic opportunity component which requires that nonworking public housing residents participate in a program that facilitates self-sufficiency. The program includes job training and job placement, financial management, counseling, family counseling, and child care. One of the basic concepts of MINCS is that the cost of opportunity is responsibility. Under MINCS, nonworking families, if able, are provided with meaningful job training and real jobs.

I know that you are concerned about the availability of jobs and I would like to mention that if section 3 of the Housing Development and Urban Development Act of 1968 was rigorously implemented, it would ensure that as Federal dollars are spent to revitalize our urban communities, low-income residents, those living in public housing, as well as those who do not, will have increased access to training and jobs.

At Lake Parc Place, nonworking residents were offered job opportunities working on-site. After 2 years, out of the 141 families there, 22, or 16 percent, had found jobs and they had done this without the implementation of a supportive services program or any sort of formal job training program, but just the fact that there was a job there, they had the courage and the initiative to get the job and to go after it.

I know that you are going to be in Chicago next week and I would like to take this opportunity to invite you to see the success in Chicago. At Lake Parc Place, you will see two once devastated boarded up public housing high-rises that have been transformed into attractive housing where working and nonworking families live side by side. At Orchard Park, you will see the first units of a 41-unit, brick and limestone town home community that are almost completed.

In summary, let me just say that on your past trip to Chicago, you saw the bad and the ugly, and I would hope on your next trip to Chicago, you would have an opportunity to see the good and to see what the future could look like.

Let me just make a few summarizing comments about the bill. As we move forward, we should not lose sight of the successes of the past. How carefully we must travel to get there, get from where we are now to where we want to be. We need to carefully and completely understand how best to make needed changes and how best to get there.

It is clear from your recent speech at American University that you share these deep concerns about the well-being and economic future of the families and individuals that would be touched by implementing the appended changes in the National Housing Policy, and we look forward to working closely with you on the important issues which we are addressing today.

Thank you.

[The prepared statement of Ms. Christine Oliver can be found on page 116 in the appendix.]

Chairman LAZIO. Thank you very much, Ms. Oliver.

And now finally, but not least importantly of course, thank you again for coming all the way from Alaska, Ms. Johnson.

STATEMENT OF JACKIE JOHNSON, CHAIRPERSON, NATIONAL AMERICAN INDIAN HOUSING COUNCIL

Ms. JOHNSON. Kus'een yo xat duwasakwak, Lukaxadi a'y'a xat, Yeith hit dax nax sataee Kagwaantaan yadi.

My name is Kuseen in my traditional language. I am a Raven Sockeye. I am honored to be able to be here.

I am the Chairperson of the National American Indian Housing Council. I am the Executive Director of Tlingit Haida Regional Housing Authority located in Juneau, Alaska, and I am also the Vice Chairperson of the Juneau Tlingit Haida Tribal Council.

Mr. Chairman and Members of the subcommittee, I appreciate the opportunity to testify today on this important legislation. I am honored and humbled to speak about housing in behalf of all Native Americans who continue to be among the poorest housed people in the United States. And unlike many of my colleagues here who took the time to summarize their statements substantially, I am choosing not to do that, and I will tell you a couple of reasons why.

Chairman LAZIO. That is fine.

Ms. JOHNSON. One is, the villages that I serve, over 75 percent of the housing stock is HUD housing, and I believe because of our huge dependence upon this particular program, that my comments are valid. I also want to thank the subcommittee staff who have

solicited our ideas and welcomed our comments and we hope to continue that same cooperative working relationship.

In States like Nevada, North Dakota, South Dakota, Montana, Arizona, Alaska and Maine, Native Americans are the most impoverished rural people. Mr. Chairman, in your own State of New York, there are approximately 13,400 Native Americans living in rural communities or reservations. Almost 20 percent have income levels below poverty.

In the State of Nebraska, the Vice Chairman's State, there are more than 5,500 Native Americans living on reservations or in rural communities. More than 47 percent of them are below poverty. Almost 56 percent of the total rural Native American population in Nebraska are children below poverty.

Yes, Mr. Chairman, my people remain poor and so is their housing. The need for housing in Indian country is acute. Current estimates place the need between 90,000 and 125,000 of new units or rehabilitated, renovated or modernized housing. Why does our need remain so acute when we as Indian housing authorities are committed to housing our people, we have struggled so hard to meet the need?

While there are many reasons, I believe that some of these basic changes in Indian housing policy could bring us relief. These fall into four categories.

First, programs modeled after urban America should not be forced upon Indian country. Our struggle in the past 33 years has led us to reach this conclusion. Put into context, the Indian housing rental programs, which began in 1962 and were modeled after America's urban programs in the 1960's, we have spent a great deal of time trying to make those programs work in our remote rural reservations.

How are we different? Most of our population lives in rural, isolated communities. With few exceptions, we lack economic bases which means poverty and unemployment rates are high.

But not just that, IHA's jurisdictions are varying. Some housing authorities, such as in the Aleutian chain, they have boundaries of 3,000 miles. Other housing authorities, it might be as small as 4 miles. We are a land-based people. We are not acceptable to living in concentrated high-rises. We need single—we utilize single family housing. We, as Indian people, are extremely connected to the land and the spirit that it brings to us.

You have asked us specifically questions on how to structure a consolidated Native housing program grant, and I really appreciate this commitment that you have given. I really appreciate the opportunity that we have had, and I think this is one of the important steps forward.

Second, the housing authorities want to set their own rents, not unlike the other people who have sat here and said that this program has been heavily regulated and has been very difficult. Flexibility must remain with the people. The local reservations need to be able to have that choice on how to determine what the standards of rent should be to meet their communities and work with their tribal governments in doing so.

Just until 5 months ago, housing authorities in the Mutual Help Program couldn't even use its reserve funds to leverage other

funds. Literally in this Nation millions of dollars sat there without being touched to leverage other projects, while IHAs hungrily awaited the next Federal allocations. I believe that we are trapped in a rental structure that prevents them from becoming financially strong enough to move into a home.

I, too, am a proponent of getting rid of the Brooke amendment, but my reasons might be a little bit different than in the urban areas. An example is the Oglala Sioux Reservation at Pine Ridge, South Dakota. A tenant will pay $449 a month for a 3 bedroom home and that rents for $250 in Gordon, Nebraska. Gordon is about 20 miles off the reservation. In Cheyenne River Reservation in Eagle Butte, South Dakota, a tenant pays $556 for a 5 bedroom unit when in the next closest town of Mobridge, South Dakota, it rents for $500.

You asked why that might be the difference. What the Brooke amendment does in Indian country, it makes housing not affordable. It is the—and unfortunately, in Indian areas, we are forced to be in unaffordable public housing or Indian housing structures because, like I said, it is the only game in town.

It is imperative that we set these rents based upon our own local economy. It is imperative that we work together with our tribal governments to set their rents based upon local needs and local goals if we are ever going to be able to improve the housing conditions and opportunities for home ownership.

As for income targeting in Indian country, across the United States, almost 50 percent of Native people fall below poverty levels. In reservations, the lack of sound economic bases and infrastructure has resulted in a significant poverty-stricken population where the housing authority programs are the only housing choices.

I don't think that income targeting is necessary in Indian country. I think that because—I think instead the alternative choice is to limit the number of moderate—we have very—we are just starting to begin to find a moderate-income level within Indian country and I think that we need to have total flexibility so that the very, very low—if that is what is the need of that particular community, then we meet that need. As long as it is all between 80 percent and below, we are still meeting the goal, but I don't think we need to have income targeting in Indian country.

As far as setting priorities about development and modernization, I also believe that needs to be a tribal decision and the housing authority's decision made jointly through the use of a comprehensive plan, and I will tell you why. Because Indian housing, the number one problem in Indian areas is the lack of housing, and so we need to be able to say, if in my reservation or my area, that the most important thing to me is building houses, then that needs to be my priority. But there are some areas that have very, very small land bases, and the Penobscot Reservation in Maine, they have almost used up their land base, so the most important priority to them in their reservation is to ensure that that housing stock stays rehabilitated so it can continually offer standard housing. So that might be their priority. I don't think government should place those priorities upon us.

And the fourth thing that I think is really important, which I also—which I know has been included in the plan, and that is hav-

ing a comprehensive plan. I think it is very important. Housing authorities, tribal governments, have been so regulated in the past that we just are responding to regulations. We are responding to reporting requirements, and we haven't had the time or been able to be in an environment that encouraged us to look toward creating a vision, toward looking for other partners or looking for other ways in meeting our needs, and so what we need to do, and I believe that this should be encouraged, is develop this comprehensive plan on how we work together. But I do believe that the comprehensive plan is a tool for the future and I don't think it should be something that punishes our failures.

You asked me a question about how we could build a stronger partnership with IHAs in the private sector. This subcommittee has done some work before on that, and I applaud Vice Chairman Bereuter for the section 184. Section 184 is starting to work in Indian country. It requires technical assistance and a basic knowledge for us to be able to build up the expertise in Indian country. But we are doing loans. We are starting, and are starting to have some very good successes.

We have approximately 80 units, about $7 million that will be financed through 184 by the end—I am hoping by the end of this month. And so we know that we are making some successes and it is going to take a while and it takes a long road.

But in addition to that, the housing authority and National Housing Council has provided technical assistance. And one of the things that we are doing, we hired a consultant to go out and help tribal governments and people and figure out what this financial world is all about outside of our reservations. Up to this point, there has been very little mortgage financing. There has been very few financial institutions, and within the last 2 years, you have started to see an increase in financial institutions wanting to become partners with tribal governments and working in those areas. But this is very, very recent and it is not in all areas.

The other thing that I would like to mention and that is the NAFSO legislation that was introduced in the Senate. And the NAFSO legislation also provides for that much-needed technical assistance to help us build up the basic foundations in Indian country. And the reason for NAFSO, although the way that it is written now is different than the way that we had initially written it, puts pressure on Fannie Mae and other secondary markets to do a certain amount of lending out in Indian country.

I will tell you, to this day, Fannie Mae has not purchased one 184. I will tell you that I know the secondary market has become a player, and I don't know whether or not the secondary market, even with the 100 percent loan guarantee, is willing to step up to the mark and take the risk or is willing to provide the flexibility that has to be there in order to make these loans work. And so I continue to urge people to support a not NAFSO concept, a financial institution or another way of providing that much—that needed secondary market for us to pool and to be able to utilize.

As far as accountability with the deregulation, which seems to be a question with public housing and Indian housing, but I will tell you that Indian housing authorities for the most part are very, very successfully run. Many of them are very small housing au-

thorities. We have 187 housing authorities and a good percentage of them, probably 80 percent, are small housing authorities.

Not unlike Ms. Gilkey, the thing that works in Indian country is that we have our own checks and balances in places. Our residents are on our board. Our tribal council is on our board. We have to work closely with them, and we accept that trust responsibility.

The trust responsibility that the Federal Government has for Indian people is not unlike the trust responsibility I accepted when I accepted my job as the executive director for my tribe, because I have a trust responsibility to provide housing to my people. These are my family. These are my relatives. These are the people that I, for generations, have lived with, and so the trust respect responsibility is my accountability. My accountability is first to my people. Therefore, I know that my accountability to the Federal Government can be nothing less.

And I would also encourage you—and I appreciate the fact you did seek language for us for the trust responsibility—I encourage you to continue looking into that language and the purpose behind it because a trust responsibility is different than serving Indian people as an impoverished group of people. All we are asking for is opportunities. All we want to be able to have is equal access.

We are not looking for a dole system. We are not looking for a handout. We are looking for a way to better our people and that is what we need.

We haven't had access for a great deal of time. We don't have private markets and private capital working in Indian country, but we are doing the darnedest we can to make it happen and we need that access, and that is where I believe the trust responsibility lies. Give us that access.

In closing, I would just like to leave with you something an elder told me not too long ago and it changed my philosophy about how I am going to deal with housing, and this is a home. It is a place where life begins, and in our traditional way, the way that we build our houses, the way that we feel, the way that we bless our homes, the way that we celebrate when we even give a HUD home, in the traditional sense, is because the spirit of the house is important to us, not unlike anybody else. Continue to give us that opportunity to let the cycle of life continue in Indian country. Let the birth of the home happen for Native Americans.

[The prepared statement of Ms. Jackie Johnson can be found on page 138 in the appendix.]

Chairman LAZIO. Thank you very much.

I want to explain something. Often we have people come long distances who give excellent testimony, and you may wonder why we don't have panels full of people right now and it is not because of a lack of commitment by either the Republicans or the Democrats who sit on this panel. We have bills on the floor and there are other committees meeting at the same time and it is one of the frustrations of being here that you are asked to be at so many different places at the same time. And I know that every Member will go through the written testimony and some of them, I am sure, will be following up and contacting you.

We are going to be strict about the 5-minute rule. If people have additional questions once we get through, for everyone who wants

to ask questions, we will go back, and try to solicit additional questions.

Let me begin, Ms. Johnson, by talking a little bit about your testimony. In your testimony, you mentioned the trust nature of the reservation land is a major deterrent to bringing private capital on to the reservations. What can we do to overcome that obstacle, and is there anything that you have been doing that we can build on that would—I know you have spoken to the need for a secondary market, but in terms of originations also, what do we need to do to bring that type of equity on to the reservation?

Ms. JOHNSON. Thanks, I really appreciate that question.

I think that one of the things is allowing housing authorities to have a lot of flexibility. For example, in my housing authority, I have a loan program that I have created. I want to be able to take people that are in the housing that I have built and afforded through public housing, and even though they might be low-income people, there are people who are starting to get steadying incomes. I want to be able to transfer that over, make them into a loan, make them feel and be less dependent on the government. This is an actual loan. And so I have already instituted a program in my housing authority, it is an in-house financing program where I am going to do that and I am going to attach it to a 184. And I am hoping someday I will have a secondary market who will be willing to take those and purchase some of those, because I need to recycle the money so that I can create more opportunities.

Another thing that has been a problem is just the perception. Financial institutions outside of the reservation area don't know what—are concerned about tribal laws, tribal jurisdiction. They are concerned about the land status, and those things we are trying to do through forums that were continuing throughout the Nation and we have just had some workshops that have been pretty good about addressing those.

One of the biggest problems is trying to get through the BIA process of approval for some title clearances. That needs to be—either find an alternative way of doing that, some means of being able to get to that process on a timely basis. So those are some of the things, but the flexibility I think for us to allow us to do whatever we can do, however we can leverage money with our Native corporations, and so forth.

Chairman LAZIO. Let me address this question, if I can to both Mr. Armstrong and Ms. Gilkey, because both of you have testified that you have some formal program. I think, Mr. Armstrong, your department works with the Department of Social Services where you have, in effect, a sort of contract between the tenants and the residents and the housing authority, whether it is a resident management authority, in your case, the Omaha Housing Authority.

Could you speak to how people react to what I understand are relatively tough standards?

For example, Ms. Gilkey, do you think it is something that we—you would encourage us to keep in this bill, and tell me what your experience has been in St. Louis.

Ms. GILKEY. OK. The relationship that we have been able to establish as it relates to—which has been traditional outside community agencies, CBOs, community-based organizations for years in

Cochran operated the various social programs, such as the child care centers, such as the anti-poverty programs, were all being administered by outside agencies, who then came in and counted the heads of the residents in our community, who then brought in outside people who benefited from the jobs, and at no point were the skills ever transformed down to the people who actually live there.

So when the cuts took place, when the anti-poverty programs were eliminated 12 and 13 years ago, the residents who lived there did not have the skills to continue the day care programs, so they disappeared. They did not have the skills to continue the social programs that had been initiated through the anti-poverty programs because all of the professionals who are community-based organizations left when the money left.

So what we have been able to do under resident management, we have been able to integrate and negotiate with the States direct contracts that provide the same child care services. The only difference is now we own the five child care centers. We employ 125 residents into our child care program and they are all residents. We are able to take those mothers, who start with us with not even a high school diploma, now 30 or 40 of them have an associate degree in early childhood education. And as a result, you will see the children who now come from those homes come with less literacy problems than the prior children because the mother is now able to take those skills back into the home and incorporate those skills in the overall home structure, as well as now she is working. So there is a sense of pride. There is a sense of dignity that now goes with her ability to employ.

And, Mr. Chairman, this may be small but it is very important. I mean, the fact that we operate our child care centers, we administer a grant through the State for our Meals-on-Wheels program with our elderly. I mean, who can cook any better than us?

We feed—we are the Meals-on-Wheels in public housing, and we take the profits and those profits go back into our community to support our community center. We operate our own community center from the city. We get no city funds, nor no Federal funds. It is totally operated from the profits we bring in through contracts with the State and profits we bring in through our ventures. But the real key thing, children in our community now can say, I can be a teacher because my teacher lives next door to me. They now have real-life role models that they can achieve to be, and it is a win-win. It is a win-win, Mr. Chairman.

I just wanted to say one thing. I would like to personally thank your staff for the hard work and—because I brought a lot of tenants up here and they have been very patient with us in meeting with us and seriously giving attention to the kinds of things that have been addressed in the bill.

Thank you.

Chairman LAZIO. Thank you very much.

We are going to recess.

When we come back, Mr. Armstrong, you can react to that question.

Ms. ROYBAL-ALLARD. Mr. Chairman, just one quick question. Did you give unanimous consent for people to submit their opening statement that were not able?

Chairman LAZIO. For anybody who has a written statement they would like to insert in the record, without objection, that will be included in the record.

[The prepared statement of Hon. Lucille Roybal-Allard can be found on page 62 in the appendix.]

Chairman LAZIO. We will try and come back about 15 after 12:00; we will come back into session and we will hear from Mr. Armstrong.

The subcommittee is in recess.

[Recess.]

Chairman LAZIO. The subcommittee will come to order.

We should not be interrupted by another vote in the near future anyway. I appreciate everyone's patience with us.

Mr. Armstrong, we were in the middle of a question I had posed and we hadn't had a chance for you to respond relevant to this covenant or contract between the tenant and the authority, and I am wondering if you could speak to that?

Mr. ARMSTRONG. Yes, sir, I will, and thanks again, Mr. Chairman.

First, as I said earlier, our whole philosophy in Omaha is to do everything we can to make sure the people who live in public housing can get out in a positive way and everything we do is designed to do just that.

To give you some of the few figures, in 1986 and 1987, when I took over this job, the average stay of a family in public housing in Omaha was 7 years and 3 months. That is 87 months. Through the programs we have, collaborations, coordinations we have with other entities, starting in 1991, the average stay of a family in public housing has been 3 years and 4 months.

When I took over in 1986, the average child who lived in public housing in Omaha missed 3 days a month out of school. We started a program in 1987 to encourage all children who live in public housing to attend school every day. Starting in 1991, the average child living in public housing has missed only 1 day a month out of school in Omaha.

In 1987, we had a vandalism cost of $89,000. Starting in 1991, the average vandalism cost each year since that time has been $5,000. When children are learning and becoming productive, they then become less violent. We have a contract with the Nebraska Department of Social Services. As far as I know, we are the only housing authority in the country that has that and that is to do case management of all people who live in public housing who happen to be on welfare or are on section 8.

The way it works is that when people come to your developments, they are contacted immediately by one of our staff to see what the family's needs are and we work up a plan to help the families meet those needs. If they need additional education, we have GED programs, ABE programs, skilled training programs, and so forth, working in collaboration with many, many different entities to make this happen.

We aren't totally dependent upon HUD funds for that. When I say collaboration and coordination, we work with many different entities. The Omaha Public Schools work with us to make sure our children attend school every day. The Department of Social Serv-

ices makes sure that we provide the case management and have the tools and training to do that to help our people become self-sufficient.

We work with the community colleges, the universities there, to provide different kinds of educational training so that our residents can look toward self-sufficiency rather than generation after generation of being in public housing. We spent a lot of time in people's homes working with them to try to accomplish this end.

Again, we have never felt that public housing is the American dream. We want to make sure that our residents are able to function outside that setting and we do everything we possibly can to make sure they can do that. And it is done, again, using a number of entities and working with them on an individual basis.

We have study centers in each of our developments. Those study centers have the same kinds of books and the same kinds of computers that are used in the public schools. Most young poor children don't have access to computers at home, as other children do, so many times they fall behind in school because of lack of access. We consistently say that in the poorer neighborhoods we have too many basketball courts and not enough libraries, we have too many televisions and not enough computers, too many beepers and not enough calculators, too much recreation, not enough education, and we feel that we must, as an industry and as a housing agency, have the freedom and the flexibility to be able to provide those kind of services to our residents. That is what we do, sir.

Chairman LAZIO. I couldn't agree more enthusiastically about this need to integrate resources, and just joining us is Governor Castle of Delaware who was very instrumental in getting a one-stop shopping program up and operating, giving higher value added to each of the services that are being provided by integrating. Does this bill help us along that path?

Does the sense of contract between tenant and authority, moving people not through punitive measures but through incentives back to self-sufficiency, does that provide the flexibility and the proper incentives for us to achieve the goals that you are talking about?

Mr. ARMSTRONG. Yes, sir.

I again want to congratulate your staff for the fine work they have done in crafting this bill and you for introducing it, because this bill will give us the flexibility that we think is necessary to allow us to continue working with our residents to make them become self-sufficient.

Chairman LAZIO. Thank you very much.

I don't want to hog up too much time, so I am going to move on and recognize Ms. Waters, Congresswoman Waters.

Ms. WATERS. Thank you very much, Mr. Chairman.

Let me welcome all of our panelists here today, and thank you all for your input into this legislation and some attempt to get a handle on our large public housing authorities and an attempt to make them—help them to operate in ways that will help poor people realize some decent housing.

As you know, I am the author of the original rent reform legislation, along with Mr. Hiscox who helped to design that legislation, and I certainly support the idea that we should do everything we

can to encourage work and not to penalize our residents once they add to their income.

Let me tell you what my overall concerns are. My overall concerns are, number one, I don't see anything in this legislation that would involve the cities more. These cities cannot have—local governments cannot have a hands-off attitude about public housing in their cities. I have noticed that in some areas the local police don't think the housing projects are places they should put any time and effort into, and if you don't have your own private security services, that somehow whatever goes on is none of the business of the city. I think we can do something about that in this legislation. I am going to look for some ways to do that.

I think that they should contribute, not only in terms of the local police and their involvement in the housing authorities, but I think that the social services of a city and county are not for everybody else except for tenants inside the housing projects. Why are housing projects created as separate entities with no responsibilities from cities and counties still baffles me.

Mr. Armstrong, I think it is good that you are getting case management from the local whomever, but they should be providing it anyway. And so I would—I am going to look at ways by which we can involve cities and counties in providing assistance and helping to provide support and resources that they should be providing anyway. Public housing authorities are too the responsibilities of the cities. So I am worried about that.

Also, as you embrace this legislation, I don't want you to get so happy about deregulation that somehow you give up the idea that we have got to invest some dollars for operation costs. I mean, with all of the great desire that you have to have different rent structures, to have a better way by which to get more revenue to do a good job, we have still got a big responsibility, I believe, to ensure that we have decent—safe and decent housing and that capital costs are put in to bring them up.

It does you no good to talk about rent structures that will help you with operating costs if, in fact, you start off way behind with capital needs unmet where you have got to do major repairs, and so forth. So I don't want you to get so happy that you don't tell these people that you need that kind of support.

The other thing is this. I don't want us to get so slap happy about all of this that we think we are going to attract working families and middle-income families if we don't have comprehensive communities. Nobody wants to move back to a community where you don't have complementary services in that community. People are looking for health services. They are looking for schools. They are looking for all of these things, and our housing projects leave a lot to be desired in comprehensive services.

So as you talk about where you want to go, I think you still got to talk about the investment to make these the kinds of communities that people want to live in, or you still are not going to get the mix that you are talking about.

I am prepared to be open, open enough to allow some new things to happen, to try, because we have had so many problems that we can't continue to go on this way. But again, as you embrace this, I want you to tell the other side of the aisle what your real needs

are. I don't want you to be so afraid that if you don't support it, that somehow you are going to be penalized. I want you to talk about what your wish list is for making all of this work.

So I have no questions. I probably know more about this than most of you. I know about the housing projects in St. Louis, Missouri. I was raised in St. Louis. My family was in some of those housing projects. I know about Cochran. I know about Igo Pruitt and I have spent a significant amount of my public career in the housing projects in South Central Los Angeles, Dickerson Gardens, Imperial Courts, I created the first child care in Dickerson Gardens that took us years to put in. I created the first job training programs in South Central Los Angeles housing projects with Wagner-Pizer discretionary money. So I think I do know something about what the needs are.

I don't want to see them simply leveled. You made a point, Ms. Gilkey, about the fact that at a time when Igo was being blown up and they contemplated doing this for Cochran, and you said, let us try this. I don't want us to rush to start leveling projects that may be in great areas right next to areas that would be desirable for people to come in and put condos up.

I know what Chicago is all about and I know that there are a lot of people who would like to have some public housing land to convert to some condos and get those public housing people out of there. I don't intend to be a part of that force in reform.

So I want you guys, while you are advocates for change and while you are willing to embrace some new ideas from our Members on the other side of the aisle, I still want you to stand up for what you know we have to do in order to maintain public housing for people who desperately need it and not end up losing housing units that we don't have to use, that we have got to put the money into training. Training is extremely important. You can throw it out, say, now residents, you do it. But unless the support systems are there for training, it is going to fail.

Thank you very much.

Chairman LAZIO. I thank the gentlelady.

If I could just recognize myself for 30 seconds.

First of all, about nothing that you have said, Congresswoman Waters, would I disagree with. Number two is I absolutely welcome your input. There are ways we can strengthen this bill with respect to trying to find better linkage with the cities and States.

We did try to address this in the bill by having a mechanism whereby if the cities were not contributing to the overall plan, they were in a position where they could actually be penalized with their CDBG money and we could try and work with you on that. This is something of course that is very important to the cities, but there is a sense of trying to bring the cities into it. Maybe we can tighten it up or do a better job, and I would like to work with you on that.

Ms. WATERS. I would like very much to work with you on that. My first priority is looking at the local police services. As they do their planning, they never talk about, we are going to project how many officers we are going to need and we are going to put the resources into training because we have these impacted areas that is

going to create a bigger need for us. I never hear them talk about the public housing projects in their planning.

And I don't want to move to the time when we still have to have separate security, because I tell you what happens with separate security. They don't have the backup of the police. They turn their heads because they are not going to walk up against people with guns and other things, and they got to be in those housing projects day in and day out and could get sniped or anything else.

And so I want us to talk about how we get a little bit more detailed in what we say about police services, and we can even talk about not only their planning so that they could include in their plans something—and rather than just penalize them through CDBG, let's talk about how we utilize some of our resources working with them to make sure we get what we need.

Chairman LAZIO. I thank the gentlelady.

Also I just want to mention in addition, in the bill, we have a provision in the community plan for security so that there would be some element of planning. Again, all these things we would like to work with you on to see if there is some ways of strengthening it.

The gentleman from Delaware, Mr. Castle is recognized for 5 minutes.

Mr. CASTLE. Thank you very much, Mr. Chairman.

I enjoyed the discourse by the gentlewoman from Los Angeles, and I agree with her. I mean, when you go into the various troubled public housing areas of this country, you will find that a majority of the people, maybe even a vast majority of the people probably want police services more than anybody else anywhere near them in transient neighborhoods. They suffer tremendously under this and their lives are impacted greatly, and that is something we need to work on. In fact, I think we need to work on things even as we go along.

But having said that, I would like to congratulate the chairman on putting together a piece of legislation, which we may not adopt in the form it is in now, but it is going to make us all think about the improvements we can get in housing in this country and I think that is something we need do.

I apologize for not being here earlier, not having heard a lot of your testimony. That is the unfortunate part of trying to get things done around here. I can't be every place, but we appreciate your being here as well.

Mr. Armstrong, I heard you respond to a question from the chairman, and I just—I have often thought we have a very good housing authority, for instance, in Wilmington right now, which was troubled before, but it is good now because I think the head of it is very good, just as I suspect you are very good as well. That can make a huge difference. Every time we get ahold of somebody who is very good, they can make things happen with the force of their own personality.

But I just wanted to ask you what your beliefs are, if you could explain them a little bit in terms of being able to carry some of the ideas, the case work and some of the ideas you were expounding on earlier into perhaps the bigger housing authorities in this country or the more troubled housing authorities or however you want

to characterize them, or perhaps even those that are just sort of lethargic.

You have people going along and putting in their time and nobody is trying to take hold of the problem and run with it. That is the problem that I seem to have.

Can we do that now, even before we get to legislation, and what are your thoughts about how we could try to spread that kind of magic across this country?

Mr. ARMSTRONG. I don't know how you spread good magic across the country. I am not quite sure you can legislate it either.

I think what you try to do is lay out a broad parameter that will get a hopefully positive result in helping people help themselves. Good management comes in all forms. You have Bertha Gilkey, who is the resident manager, who is an excellent manager.

You have some public housing directors who are excellent managers and you have some private people who are excellent managers. But I don't know how you legislate good management. I know what you can do is provide incentives, as you have in this legislation, as I have seen it, incentives to encourage good management and penalties if you don't do it.

The way it has been in the past is, if you want more money, just be a bad agency and you will get more money. If you want less money, be a good agency and people won't give it to you. So I think what is happening here is that we have incentives to do well.

Mr. CASTLE. In other words, turned it upside down. If you are good, you will be rewarded type of thing.

Mr. ARMSTRONG. That is correct. And we have been the only industry in the world where you reward bad management and punish the good.

Mr. CASTLE. I doubt if you are the only one. We could probably find some other thing set up in government that worked that way, if I had to guess.

Can you statistically show that some of the things that you are doing in Omaha are working? That is, by whatever criteria, kids graduating from school or less crime being committed, or whatever it may be? Have you been doing these things long enough to statistically be able to defend——

Mr. ARMSTRONG. I stated it before you came in, I guess. I will hit them again. In 1986 and 1987, the average child who lived in public housing in Omaha missed 3 days a month out of school. The vandalism cost in those years were $89,000. Starting in 1991 with all these programs we have that is in the testimony, the average child misses only 1 day a month in school and the vandalism costs have been less than $5,000 since that time. With all the programs we have, starting in 1986, the average family lived at the Omaha Housing Authority for 7 years and 3 months. Starting in 1991, the average family now lives 3 years and 4 months. We have more children in school, more parents taking educational programs, job training programs, and they are moving up and out.

You come to the Omaha Housing Authority and we have, again, over 7,000 units. You won't find litter. You won't find broken down cars. You won't find children on our grounds during the school hours. You won't find any of those things that you think public housing is supposed to be.

People like to tell me, and I say this all over the country, is that we have the best housing authority in the country in Omaha and we challenge anyone to prove us wrong. And I would like for each of you to come out and see it and then you would know what public housing could be, can be and should be, and I think that is what we are shooting for.

Mr. CASTLE. Do you have any brothers or sisters we could hire for a housing authority in a couple areas in the country?

Mr. ARMSTRONG. I am an only child.

Mr. CASTLE. Thank you, Mr. Armstrong.

Thank you, Mr. Chairman.

I yield back.

Chairman LAZIO. I thank the gentleman.

The Congresswoman from California, Ms. Roybal-Allard.

Ms. ROYBAL-ALLARD. I am sorry Ms. Waters left because she made history today. Everybody on the subcommittee agreed with her. Following up with the statements that were made by Ms. Waters, we all know that no piece of legislation, no matter how well intentioned, is perfect. Are there any suggestions or ideas that you would like to present to the chairman and to the subcommittee as to how the legislation before us can, in fact, be improved?

I know that our Chair is very, very sincere in meeting the needs of public housing and wants to approach it in a very fair way and to make sure that the residents of public housing are not forgotten and are given opportunities to participate as we go through this process. I know that I am speaking for him, but I'm sure that he would more than welcome any constructive suggestions that you may have as to how to improve this legislation, or whether something was overlooked that needs to be put into the legislation.

Ms. GILKEY. Thank you.

It is just—at least three points I would like to address to the chairman and to the subcommittee how we can improve the legislation. Let me first say that I think it is essential, and I would like to thank the Chair and the staff for the part in the bill that now requires a public housing tenant to serve on the housing authority board of directors. That is very essential, because it is the board of directors that establish the policies for the authority that ultimately the staff implements. If residents are part of that process, then they become interwoven into the system and they are perceived no longer as—on this level, but you have now moved them to the table and you make them now an equal partner in the whole process, and that is the beginning of the rethinking of the staff, where you don't have a Bob Armstrong, unfortunately, in many of these housing authorities who perceive residents as not part of solving the problem, but perceive them as the problem. And when one tells one long enough that you are nothing, you are nobody, you are worthless and so are your children and you deserve to live in these horrible conditions, then people begin to take on that kind of behavior.

So I think it is essential to put them on the board of commissioners because it then gives a whole different perception amongst the staff and it makes them a legitimate part in the process.

The second point that I want to raise is that—and this is where me and my colleagues disagree, is in the Brooke. I support the

Brooke. However, the Brooke—I support the Brooke and I support ceiling rents. The Brooke has to be changed. And for example, Mr. Chairman, let me use, if I live in public and assisted housing and the housing authority does an annual review of me and I am working and my son is working, the housing authorities, through the current legislation, take 30 percent of my gross. Not my net.

They don't take into account that I am paying union dues, they are not taking into account my medical benefits that I have to pay, not my employer for me and my children. They do not take into account my taxes that are all deducted out. They take 30 percent of the gross, not the net, which is crazy. That is—and I am just giving examples of how we need to restructure the Brooke.

I think—I lived during a time, Mr. Chairman, when there was no Brooke amendment and I lived in the time in public housing when my mother—when you had elderly families living there who were getting like $76 a month for income and the housing authorities were charging them $70 a month for rent. They got $76 for their SSI, or whatever, back in those days, because I am somewhat older—I am in the baby boom group, and—but 70 percent, $70 were paid toward rent. So they left them $5 or $6 to live off of.

In those days, Mr. Chairman, there was no food stamps or no other programs, and literally the housing authorities would increase the rents on a month-to-month basis because there was no laws to prohibit that, and that is what I am afraid of.

I am afraid there are very few sites in this country of the 4 million people who live in public and assisted housing who manage and operate their public housing site the way Bob and we do, and given—not putting in their provisions to protect the elderly whose income is not going to change or the disabled whose income is not going to change or persons who are on fixed income who are attempting to move off of the system, but while they move off, there has to be the Brooke to allow them to move off and go to a ceiling rent.

Thank you.

Mr. HISCOX. We have supplied, in response to your question, PHADA has supplied a detailed line-by-line commentary on the draft of the bill as we had it and staff has it. I would like to highlight just a couple of things.

First, we applaud the provision of the bill that would allow us to seek information on criminal convictions. We suggest that that should include arrest records as well. Several people have spoken to the issues of crime and drugs in public housing.

PHADA in general supports the consolidation of the myriad boutique programs that are available to housing authorities and to single—into a single fund with one exception. We think that the abolition of the Public Housing Drug Elimination program is a mistake. In many cases, the Drug Elimination program has enabled us to take back our neighborhoods from the gangs of Uzi-toting thugs that we had to deal with only a few years ago. That money is very heavily leveraged and helps us actually to attract the support of local government and local police.

We have our local government putting two, two-and-a-half times as much money into our Drug Elimination program as we do,

through PHDP, but if we didn't have that as an incentive, they wouldn't be there in anywhere near that strength.

Second, PHADA supports large-scale demonstrations of vouchering out. We have grave reservations about the idea that public housing can be completely vouchered out, but we are willing to give the Administration and other voucher proponents a chance to try. We love to be proven wrong. We would suggest, however, that instead of requiring the vouchering out of public housing in every place where it can be found to be financially feasible, that instead we need a kind of screening criteria development by development, that identifies developments on several criteria, not just cost, including things like high vacancy rate, bad design, chronic backlog, high cost to modernize, and so forth, and so on.

And last but not least, I would like to second some of the things that Ms. Gilkey said about the issues of rents. We face terrible problems in getting young people employed in public housing. My housing authority is more or less typical; 86 percent of the 18-to–21-year-olds who live in public housing in Macon, Georgia, are unemployed.

When we hear that young black men are unemployed at 5 and 6 times the national average rate, that is, 25 to 30 percent as opposed to 5 to 6 percent, we are told that is a national tragedy. But the figures I gave you for public housing are many times worse.

That condition exists for a very simple reason. If an 18-year-old, freshly graduated from high school takes their first minimum-wage job, they make that decision to enter the job market and they take a job at minimum wage, his mother's rent goes up $221 a month. If he stands on the street corner and sells drugs, it is not affected. If it is a young woman and she decides to have a child, she gets a check and an apartment, and obviously this is not the intent of public housing. We must have reasonable deductions from earned income and we have to have the ability to—for some groups of people, such as these 18-to–21-year-olds entering the job market, we need to have the ability to exclude all or a portion of their income for a period of time in order to encourage them to enter the job market and stay in for awhile.

Chairman LAZIO. Is there anyone else who wanted to answer that question?

Ms. OLIVER. Yes, I would just like to follow up on the issue of jobs and training.

In terms of the programs that I have worked with, it is clear that having a job in place when somebody enters a training program has a tremendous effect on their ability to successfully complete the program because it creates the incentive. So not only do we need a good jobs training program within the bill, but we also need to look at a way that we identify jobs and then we hook people up with the right job. In other words, you don't want to be training somebody to be a welder and there aren't any welding jobs anymore.

So I think it requires—and this is where I think the cities can come into this in the local communities, because there should be some sort of work being done to reach out to the local businesses and corporations to help create those jobs and identify those jobs, and possibly even use some of their training dollars to train people

that are living in public housing for the jobs that they can then offer them. But that is one thing you have to do.

In terms of mixed-income housing, I keep saying, we want to give people incentives and economic opportunity, but if there is not a real job there, the disappointment, and I am sure Bertha can attest to this, that people go through training programs and then there is no job, and all that does is just increase the cycle of hopelessness. And I think it is really unfair that we have done that to people because they lose hope and then the downward spiral just starts again.

The other comment I would like to make is that in regard to doing that, I would just like to support what other people have said on the panel, that ceiling rents become an important issue. If you are going to keep working families in public housing for a period of time to help stabilize it, I think that there have to be ceiling rents in place so that they know what their rent is going to be from one month to the next, one year to the next. Otherwise, they are going to leave. And you are going to end up with the same problems we have got now, and that has been demonstrated at Lake Parc Place. The fact that people knew what their rent was going to be, the fact that there was a certain rent bargain for them, they had stayed in place and it has—the mix within the community has had a real beneficial effect on the residents there.

They have seen people getting up in the morning and going to work, and it is not just the kids that you are going to impact. It is the adults that have been unemployed or never been employed.

Several anecdotal instances I could point to, people out in the playground with their kids, they start talking to other adults. They say, what do you do? Well, this is what I do.

A woman that I had a conversation with was talking with the security guard and said, well, gee, what do you do, how do you do this? And she said, I can do that. She went to the management office, got in touch with the security company, and now she is the security guard at that post. You know, it is simple. It is not a hard concept.

The other issue I just wanted to raise and emphasize is that in terms of creating mixed-income housing communities outside of public housing in the surrounding communities, there has to be an ability for the housing authority to use their operating subsidies to make the decision that they are going to rent units from private owners.

Currently, as I read the bill, it may be implicit, but it is not specifically stated and I think you need that specificity in the language so that it is very clear that they can do that, because that gives the opportunity, as I pointed out through the MINCS program, to actually create additional public housing units that wouldn't be there otherwise.

Thank you.

Chairman LAZIO. Mr. Byrne.

Mr. BYRNE. Thank you. Three quick ones.

I think in the statute it has to be expressly stated and authorized that housing authorities are to create new waiting lists and go away from the centralized waiting list system, particularly given what is happening with the funding and all the other changes. It

is such a terribly burdensome, constricting environment, what we have now, that to have to still operate with that under lower-funding levels and no program rules would be completely unworkable.

The second is to communicate the need for section 8 vouchers or certificates as replacement housing for closing down obsolete properties. We have a couple remaining properties in our agency which we don't think we will be able to renovate because of the funding levels. Rather than use the rest of my mod money for those two properties, we have said we are going to have to just close them down.

But the realities are that you will never be able to get rid of public housing's obsolete properties without replacement certificates. Because of the local politics and whatnot, unless you have some replacement housing certificates for those people who are left in those buildings, you are never going to be able to move on those properties. It is one of the greatest impediments to getting rid of what we all know we have to get rid of.

And to expect that the residents will buy a local certificate program funded out of your operating account that doesn't have anywhere near the feel or commitment of the traditional program is unrealistic. They are going to buy that. They are not going to feel safe with it and you are not going to be able to get rid of those God-awful properties.

And last, we need your support for the funding at the Senate appropriations levels. It is just critically important that, if we don't have the money, if we don't have gas in the tank, we can't run the program.

Ms. OLIVER. Let me add——

Chairman LAZIO. If you have something brief to add.

Ms. OLIVER. Yes, it is very brief. One of the things that I think would be very helpful in dealing with the large very troubled public housing authorities, is as long as you are recreating this whole thing, is to create a system whereby—where you have large authorities like in Chicago that are terribly distressed and they, in essence, have a 40,000 unit real estate portfolio, that you consider the potential of breaking up those housing authorities and creating regional housing authorities within the city that are more manageable, where the problems can be more directly addressed.

I spent a lot of time, you know, working at the housing authority and working with the housing authority, and it—the problems become so overblown and so intense that with a breakup, you could start to really target the problems. And I think it would be an easier administrative process locally. I think it would be easier monitoring for HUD, and I think it would be more effective.

Mr. HISCOX. Mr. Chairman, if I may, I would like to comment very briefly on that. The same also applies, the hundred or so troubled housing authorities we have in this country fall into two categories, giants and midgets. Outside the dozen or so really large troubled housing authorities, most of the rest are very small. And combining small troubled housing authorities with a healthier neighbor might also be a solution, as long as the receiving housing authority is willing to have them. And there is similar language pending in the Senate bill which we would support.

Chairman LAZIO. Thank you.

Ms. Gilkey.

Ms. GILKEY. Mr. Chairman, briefly, two comments. Employment, one of the ways that we can, with existing funds, leverage employment from the private sector within public housing, where unemployment is extremely high, is through comp mod funds, HOPE VII funds. Because those—most housing authorities in many cases get $100 million, $50 million, $20 million a year for comp mod, HOPE VII and other various HUD dollars. That does not even address the community block grant funds.

What we have done, as you know, in Chicago for 1230, where we got $9 million, through the CFR 964 section 3, we made a condition that the contractors come into those buildings to work. They must hire and train residents. You need to know that there was a lot of resistance to the point where we locked the door and would not allow them to come in because they refused to hire residents.

However, today, Mr. Chairman, those very contractors who resisted hiring those residents have now come back to us and asked for more of those young men to take with them to sites that we don't even control. Not that we have any money in this. Because they realize that all the myths that they had about people in public housing, particularly young black men, not wanting to work, was exactly that. It was a myth.

When given the opportunity to work, those young men protected the equipment, those young men were there before the work started, and they found them to be valuable employees. But if we could leverage the government dollars to force that relationship in the long term, we can create the needed jobs with the existing money that we already have.

And finally, Congresswoman Waters addressed the issue about the security, the police in the cities. That is a major problem, Mr. Chairman. And I wish we would find a way in this bill to leverage the cities. The cities treat public housing as though it is an island of its own, as though we are not part of the city.

My Resident Management Corporation spends a half a million dollars on security. And I pay for off-duty police. However, the same police patrol my neighbors in the surrounding communities, whose condos have been purchased at $190,000, they are there every day, every hour. When they get to the end of Cochran, and we are not even a half a block from our neighbor, they go back the other way.

It is something seriously wrong that we have to take a half a million dollars of our operating dollars, our precious dollars, and put it—or our rent dollars, and put it into security, pay for the same police who are patrolling my neighbors at no additional cost. So there has to be a leveraging of the cities to make them assume a responsibility and a partnership in the public housing sites that exist in their cities and provide the same police protection without additional cost to the public housing budget. So we can do more things with those dollars.

Chairman LAZIO. Thank you. With that, I will go into a point by point. I think many of the concerns raised are addressed in the bill. Maybe there are better ways of even strengthening those, including the hiring of residents, clearing rules that are obstacles to hiring the residents, to break up housing authorities, especially chron-

ically dysfunctional housing authorities, exclusions for day care and seniors and medical expenses and allowing broad discretion in terms of earned income to allow you to have a better sense of meeting your local needs, and also establishing ceilings and/or not just FMR, but also reflect the true cost of operating the units, and maybe we can have an ongoing dialogue on that.

Congresswoman Velazquez, recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. First of all, I just want to congratulate and applaud you for all of your commitment and great work on behalf of tenants and public housing in America. I cannot say the same about my colleagues who are not here.

It shows the lack of concern and commitment toward public housing and I would love to see that they come and participate and listen to your concerns and the contribution that you are making in this debate. And talking about—speaking about tenants and tenants' involvement, Mr. Chairman, my first question is to you. I would like to know what kind of input tenants in public housing will have during the future proceedings on this bill.

Chairman LAZIO. Well, certainly, of course, we have had some informal contacts with the subcommittee staff and with me personally in providing input into this base bill that we have Ms. Gilkey today testifying representing tenant management groups in particular, and I am open to considerations of other forms of input, whether formal or informal, that would provide tenant input.

One of my efforts is, and I will make sure that you have that in good time, by the way, is that we have enough lead time so we don't have a markup next week so we can circulate this a little bit and have some feedback.

Ms. VELAZQUEZ. I just want to make sure that we are all investing our time and our commitment in terms of empowering tenants in this country. Because we cannot improve the conditions and the quality of life in public housing if we don't empower our tenants. I just would like to ask this question and please, I welcome any of you to answer it.

Given the current draft of the bill, could you give me an example of the type of occupancy policies you will enact and how they will differ from those you currently have in place?

Mr. HISCOX. Well, I know I am talking—I talk about rent reform in my sleep, and we have been involved with helping to make rent reform a national issue for the last several years. Most of the things we would do would be involved in the area of rent reform. They would not focus on increasing rents for purposes of making more money in the short run. They wouldn't involve increasing rents to very low income people.

They would involve trying to create some incentives, or at the very least eliminate some of the negative incentives that currently stand in the way of employment. Those would almost certainly include reasonable deductions from earned income, to put earned income of a low-income wage earning person, a minimum wage or $5-an-hour person on the same footing as welfare.

We have run the numbers, and we can determine that a welfare recipient is actually paying about 22 percent of their net cash income for rent. But a wage earner is paying 43, 44, 45 percent of their net cash income for rent. That would have to be redressed.

We would also incorporate reasonable ceiling rents. I do not envision a major effort to turn our public housing into mixed income, to serving—and I think there is some legitimate fear about that. There is a fear that—there is a fear that somehow or another in some markets we may deny housing to very low-income people and house middle-income people instead.

What we would be trying to do is to serve a healthier cross-section of very low-income people, including a healthy mix of elderly people, handicapped people, welfare-dependent people, and wage-earning, wage-earning families. We don't want to replace a Mercedes driven by a drug dealer with a Mercedes driven by a middle-class person. We would just like a few Fords and Chevys in the mix.

Ms. VELAZQUEZ. Any other witness?

Ms. GILKEY. Well, in addressing your question, if—with this particular bill, what it would help us do, do differently, is my real problem with the current regulations as written, it is all a cookie cutter. You either fit into the cookie, or you don't fit. And it is like, you know, like what works in his particular city doesn't work in mine. And each site and each authority and even each development is unique and different. And we ought to be able to design programs that make sense and that work and that at the end you have an achievable, tangible difference.

And taxpayers and residents can truly see where the tax dollars are going. Currently, in many of the large housing authorities, nobody sees nothing. All we do is spend millions of dollars, billions of dollars a year, and the same cookie-cutter mentality continues. And we have to accept the fact, and I guess I can say if—if one sits here and don't breathe, don't move, there is no movement of my eye, my feet, my arms, no breathing, I am dead. And we have to accept that public housing that was designed 60 some years ago no longer works. And we have to then begin to massage it and make it work for the good of the people who live there, for the taxpayers who contributed to it, and ultimately it is a win/win for everyone.

And what I like about this bill, and I raised some concerns, but I think ought to be added to it, however, is that it provides for once some flexibility and no longer the cookie-cutter mentality that we all have to go this way or it does not work. I am a renegade. I am considered a renegade. So is Bob and many of us that are sitting on this panel. Because we have done things that work, but yet is not consistent with the regulations.

Ms. VELAZQUEZ. Thank you. Ms. Oliver, you spoke earlier on training and jobs.

Ms. OLIVER. Yes.

Ms. VELAZQUEZ. What is your opinion in terms of the work provision under this bill?

Ms. OLIVER. Actually, I was just going to mention that. I sort of have a basic value, and I think that it is a good value. And I think we all share it here. I believe that the cost of opportunity is responsibility. And that if we give people an opportunity, they need to be responsible and become responsible for their lives.

I think that as Bertha has pointed out, our programs have been cookie-cutter programs and the result of that is that the people that live within this housing have been put into their own cookie

cutter. And that cookie is—looks like, you know, a person who doesn't want to work. And what I have discovered is that that is not true. People do want to work. They do want to get out of public housing. And they take pride in it.

I have—because I only got the final draft, very late last night, I haven't had a chance to look at it. In the draft that I had prior to that, there was a requirement for 8 hours of community work, work within the community, and participation in a supportive services program.

Ms. VELAZQUEZ. That is good.

Ms. OLIVER. And I think that is very good, and I would like to compliment the subcommittee on putting that in there. I personally would go one step further, and I would do it because I think it has more meaning to the people and is of more use to the people who are living in public housing.

I would not just ask them to give 8 hours of community work. I would create a job so that, you know, whatever the job is, if it is on the maintenance crew, if it is working in the day care center, if it is working with the elderly in the elderly developments, whatever it is, food service, they don't need to volunteer 8 hours, they need to work 8 hours and get paid for it. They need to understand that for their efforts, they can get money.

Ms. VELAZQUEZ. I would like to hear, Ms. Oliver, how would you implement that work provision?

Ms. OLIVER. Well, I would implement it, first of all, in a couple ways. I mentioned in my testimony that I really think that we need to have rigorous implementation of section 3, which requires that Federal dollars that are spent, that there is a provision that people from the community are hired.

In the project that I am doing right now in Chicago, over 38 percent of the money, of our contractual development funds, are going to minority-owned businesses. We have actively reached out to the communities to hire residents from within the community. I think that we need to enforce section 3. We need to require the housing authorities to use the monies that they get from the government to hire residents.

Ms. VELAZQUEZ. What other supportive services do you think that we need to have in place in order to get this provision working?

Ms. OLIVER. Well, I think in addition to the requirement to hire, there have to be real training programs. And, frankly, I think the training programs in some instances have to be very basic. You know, people need to understand what an alarm clock is and they need to understand about getting up in the morning. And I could not say this with any intent to be derogatory. It is a practical thing that they simply have never learned. And they can learn it, they will learn it, they do learn it, and then it helps them to get control of their lives.

In addition to that, I think that beyond just basic job training and how to show up for a job and show up consistently, I think we need to help them with other parts of their lives. Once they get a paycheck, they need to understand how to manage their money. And that is not an automatic thing. So they need financial counseling.

Parents need to have a family counseling service at their disposal. You know, kids are subject to such horrendous peer group pressures nowadays. Certainly, I didn't have to deal with the issues and a lot of us didn't have to deal with the issues that kids have to fend off now. So they need to have a supportive services program, a family counseling program.

In addition to that, I think it is extraordinarily important that the parents are required, and I would like to emphasize required, to get involved in their kids' education. It has been found that if parents are involved in the education, if they go to their children's schools, if they know what is going on with their children, not, you know, every 3 months, not every 2 months, you know, but on a weekly basis, if the parents work, you know, check with their kids at night and help them with their homework, so this involvement in their education has a tremendous impact on the children that are being raised here now.

Mr. BYRNE. Mr. Chairman, I think you have done a very commendable job gutting a whole host of regulations that shouldn't be in this program. I run a very large housing authority. I, in no way, want to be a human service agency. We are real estate operators. We have to stay focused.

I think that has been the larger vision of your bill, which is to keep us focused on property management. I have no capacity whatsoever to take on the very nice, important initiatives we need to do to reform people's lives. I am really here to collect the rent and demand that the properties are well maintained. And I think that we have lost sight of that focus over the years in public housing. It is one of the reasons why——

Ms. VELAZQUEZ. Mr. Chairman.

Mr. BYRNE. So I think it is very commendable. I really think that the larger stuff that has happened in the welfare system, we really should be saying, let's look to the Department of Labor and HHS to be taking on those responsibilities and not the housing authority.

Ms. VELAZQUEZ. I haven't finished with my questions, and his answer is not related to my previous question. So I would like to ask one last question.

Chairman LAZIO. Sure.

Ms. VELAZQUEZ. The House version of this legislation has no income targeting in it. The Senate version, however, does. What are your feelings?

Mr. HISCOX. The Senate version is not bad. And the income targeting provision is very moderate. I would point out with the exception, though, of a very, very few real estate markets in the Northeast or the West Coast or perhaps related to individual developments that are strategically located within a various city, all of the concern about income targeting is kind of a strawman, anyway. People who are making—people who, under that bill, who live in Boston, might, as Representative Kennedy pointed out, might be theoretically eligible for public housing with an income level of $40,000, but nobody with a $40,000 income level or a $20,000 income level or even a 15 is going to choose to live in overwhelming majority of public housing developments.

A modest income targeting, like in the Senate bill, is probably not going to—probably not going to do a lot of harm, nor do a lot of good. The market—the market itself will be the principal determiner.

Ms. VELAZQUEZ. I am particularly concerned about the 30 percent removal on the House bill. How can we assure or how can we guarantee that the poorest member of a community such as like the one that I represent still will have access to public housing?

Mr. HISCOX. Where shall we begin?

Ms. GILKEY. Well, I would like to respond to the Congresswoman's question. First of all, I have to—I take issue with my colleague, because public housing has to be more than brick and mortar. We cannot just be concerned about collecting rents and doing traditional management.

Particularly, the people that we serve in public housing, come with all kinds of vast needs. So you cannot say that that is not my problem, that is somebody else's problem. When you begin to manage, it is like opening up Pandora's box. And they come with literacy problems, they come with health problems, they come with social problems. And you have got to be able to address that.

You cannot just sweep it up under the rug and pretend it doesn't exist. You have to have the support systems if public housing is going to work. And I found if monetary dollars is not your principal motivation, there is enough dollars within the system if we leverage it right in order to do that.

Second, Ms. Congresswoman, that your other issue was how do we protect the poorest of the poor. In my community that I represent in St. Louis, and I represent close to 2 million public housing tenants around, public and assisted housing tenants around the country, they are the poorest of the poor. And one of the things that we have been able to do around the country in many of the properties that are managed by residents, we have been able to take the poorest of the poor and move them into this, quote, "economic mix."

It is not a mystery how do you take one who is poor and move them into a different income level. You give them a job. You create the opportunity for them to work. They may initially come into your property unemployed, on fixed income. However, with the creativity and the leveraging of Federal dollars and private dollars, you can move that person from that particular stage into, quote, the "economic mix." You don't have to move them out of the property, and that is my problem with many of the options that are being proposed. You do not have to move them off the property to create the economic mix.

Finally, there has to be a percentage of units set aside for people who just cannot get a job. For the elderly, for the disabled, there has to be a percentage of our units set aside for the poorest of the poor who, for whatever reason, will not be able to move above the ladder.

Ms. VELAZQUEZ. Are you telling me that you have the ability of creating the jobs that are needed?

Ms. GILKEY. Yes. In fact, in my testimony, and I wanted to give her a copy of that——

Chairman LAZIO. Everybody should have a copy. We will make sure it is made available.

Ms. GILKEY. In my particular community, we sit in the heart of a major redevelopment area in the city of St. Louis that at one time was all gone. I mean literally, the whole city died. Our Resident Management Corporation took over managing this horrible public housing site high-rise in 1976.

Today, we have acted as the anchor for now a $250-million super dome that is built right next door to my public housing site that has created jobs for our residents. Ten new hotels, a $75-million Convention Center, condos, 2,000 of them are my neighbors in the surrounding community, who have bought homes in our community, which created construction jobs for our residents.

A brand-new super—national super store, which is a supermarket chain that now operates right next door to our public housing site that also employs our residents, because we leveraged the construction to make sure our residents were part of the construction of the super dome, of the St. Louis center malls. Now we have 200 stores. We helped build the malls and many of my residents now work in the mall. So we took advantage, through programs like UDAG, now they are talking about empowerment zones, and the city, through the Federal dollars we were able to leverage the government money to force a May Company in my city, who would never sit at the table with a public housing group, who now had to sit at the table if they wanted the UDAG funds. Because I had to sign off on the application.

They wanted $67 million of UDAG funds. However, my residential group had to sign off on the application. Until they agreed to the job opportunities and creations, until they agreed to—and that is construction jobs as well as retail jobs. Until they agreed to seek rehab funds for Cochran, we refused to sign the application. And that brought about a partnership and it also brought about the stabilization of our entire downtown area.

Mr. HISCOX. Representative Velazquez, I would like to attempt to answer the same question that you asked Ms. Gilkey, and also to respond to the statement made by Mr. Byrne. All of us strongly believe that public housing has suffered from far too much, quote, "Indian reservation syndrome." And problems of delivering services to have the people who live in our neighborhoods is very difficult. And some of us have had—enjoyed great success in bringing in community resources, and some of these have focused on economic development, job development.

Bob Armstrong, of course, is an outstanding example, and many of us consider him kind of a mentor. My housing authority has got a wall full of plaques with the same kind of programs. But I also have to point out some harsh realities.

One is the fact that so many housing authorities are very, very small. In the State of Georgia, we have 202 housing authorities, and only 17 of those 202 have more than 500 units. When the entire staff of a 250-unit housing authorities consists of the executive director, two office employees and five maintenance men, their ability to put together comprehensive programs is very slender.

Second, many of these programs have considerable administrative cost. You asked originally about the 8-hour work requirement.

The 8-hour work requirement is a noble idea. It is going to be very expensive to administer. It would also apply in this bill to the section 8 side. In the section 8, we don't customarily assume social services responsibilities for our residents. They live in the private rental market. We handle these people once a year, when they come in for their income and family verification, their income and family composition.

Now we would be obliged to handle them constantly. But the section 8 administrative fee is proposed to be cut. A very worthy program that already exists, family self-sufficiency, would become optional, because there is a recognition that a cut section 8 admin fee will not be sufficient to support it.

Well, if it is not sufficient to support family self-sufficiency, it won't be able to support administration of the 8-hour work program either.

Finally, one last thing about job training programs. I believe in them. My housing authority engages in them directly and with other agencies. We have a resident business development program. We are active in section 3 and all of those things. But I come back to the number one thing.

The number one job training program we need in public housing is to eliminate the negative incentive to employment. We have a bizarre arrangement in the existing public housing rules where people who are participating in a State-funded job program, a jobs program like our Peach Program, get special treatment on their rent when they get a job, but somebody who simply gets up off the sofa, turns off the television, takes a bus downtown and gets their own job, gets literally shot in the head.

And our job training programs will work better with rent reform, and many people with rent reform, many people will be able to find their own jobs, even when the job programs are not all there.

Ms. OLIVER. I would just like—I have two last quick comments. First of all, in terms of what sort of housing we are going to have for the very neediest families, I think we ought to focus in on the fact that when you create a mixed income population within public housing, as I pointed out in my testimony, you have a savings, a subsidy savings because the working families are paying a higher rent. And that subsidy savings can then be used to rent units in the private market.

And I, again, emphasize that the flexibility to be able to do that also creates the ability to expand the number of public housing units that are available.

Lastly, going back to the issue of the provision of social services, what we have done in Chicago and through the MINCS model, there is a task force that has been set up citywide that has 12 representatives from service providers and city agencies to coordinate the provision of services to the families residing in the housing.

The other thing that the housing authority has done is to explore the feasibility and they actually have done an RFP to contract out those services so that they don't have the responsibility, direct responsibility of providing them.

What I have found as a nonprofit developer is that there are services within the community that are available, and I have set up supportive services programs in all of my properties where we

just simply went out into the community and identified where the services were. And it has virtually cost us no money to do that. The services are there, we just need to access them.

Chairman LAZIO. Thank you very much. I want to thank the panelists, some of you need to catch flights, for outstanding testimony and answering all of our questions. I want to thank the Congresswoman in particular for staying throughout, asking great questions.

Ms. ROYBAL-ALLARD. Excuse me, Mr. Chairman, will we be able to submit some additional questions so that the panel can respond in writing?

Chairman LAZIO. Yes, I am sure they would be happy to respond. Thank you. Thank you very much.

This subcommittee will stand adjourned until further call of the Chair.

[Whereupon, at 1:42 p.m., the hearing was adjourned, subject to the call of the Chair.]

APPENDIX

September 29, 1995

Chairman Rick Lazio

Subcommittee on Housing and Community Opportunity

Opening Statement

Renewing American Neighborhoods:

H.R. 2406 -- The United States Housing Act of 1995

September 29, 1995

The hearing will come to order.

We are here today to begin a very difficult, but very exciting process: making historic changes in the way government works.

On Wednesday, I introduced H.R. 2406, the United States Housing Act of 1995, which is the first step in replacing HUD and its 244 programs with a new way of providing assistance to local communities and individuals in America.

Today's hearing will deal with public housing, one of the more serious challenges we face in this process.

Public housing has a bad reputation. Press reports detail stories of crime and drugs. There is virtually universal agreement that public housing is struggling. There have been many prominent failures, not just in Chicago or D.C., but all over the country.

Congress and society have not done enough for public housing residents who remain locked in poverty by ineffective, outdated policies. Government for too long has relied on more spending as a solution to policy failures while generations grew up in poverty.

Today we draw the line. We will not be bound by outdated policies. We will not be restricted by what our predecessors have done or have failed to do.

Some say that plans to get rid of the old way of providing public housing are an attempt to abandon the nation's most disadvantaged populations because of the failures of only a few authorities. They call this "death by anecdote." HUD Secretary Henry Cisneros has been criticized by members of his own party for attempting to destroy public housing.

In fact, the majority of public housing authorities in this country do a good job of providing affordable housing to deserving families. The U.S. Housing Act of 1995 supports those efforts and removes barriers that keep those PHAs from doing an even better job.

But let's not forget that the roughly one hundred or so that are classified by HUD as severely distressed have almost one quarter of all the public housing units in this country.

We should look at public housing as two very distinct challenges. In one case, we should empower effective, well-run housing authorities to do a better job. However, for those that are chronically troubled, we must admit the failure and end the monopoly of a failed management structure.

The reality of our current fiscal situation is that there are fewer dollars to go around. But as we'll hear today from witnesses, the good PHA's really can do more with less if they are allowed to operate at the best of their abilities.

I welcome the input of my colleagues and encourage them all to focus on policies, not politics. Do not relegate yourself to the sidelines by nay-

saying change. We should all embrace this tremendous opportunity to look at the government's priorities honestly and work to improve this bill.

There are a number of members with this Subcommittee on either side of the aisle with experience and genuine concern about these issues. I say unequivocally that if any member, Republican, Democratic or Independent wants to play an active, positive role in shaping this legislation, they are welcome.

I would also like to take this opportunity to let the Subcommittee members know more about how I intend to move this bill. As you all know, we will be holding a field hearing next Thursday in Chicago to discuss troubled public housing.

We will be holding another hearing on October 13th to discuss Section 8 housing assistance and other issues dealt with in this bill.

It is my intention to move this to mark-up as quickly as possible, but to be certain that members continue to have an opportunity to examine the bill and take an active part in refining it.

I look forward to working with the members of this Subcommittee and I thank you all for being here.

Opening Statement
Congressman Henry B. Gonzalez
Hearing on H.R. 2406
September 29, 1995

We are here today to hear the public housing industry's reaction to Chairman Lazio's housing bill introduced on Wednesday night. I am delighted that the Chairman has chosen to make this his first important piece of legislation, even at this late date in the session. Once again I must lament the partisan process that surrounded the introduction of this bill. I can only hope that as, if and when it moves through the Committee, we can return to the bipartisanship and collegiality that have characterized our Committee on housing matters.

Although I can not understand why you, Mr. Chairman, have chosen to repeal fundamental housing law instead of revising and reforming it, except perhaps for political purposes, I must say that you have put into legislative language what we began in the last Congress in H.R. 3838, increased flexibility and deregulation for housing authorities. We Democrats agree with you, this is long overdue.

There is much about this bill to be applauded. It certainly could have been much worse had it followed the predictable pattern of other Republican legislation.

Where we part company, however, is with your party's insistence on deregulation and decontrol without federal standards, on block granting funds while cutting dramatically the amount of money a housing authority can receive. Housing authorities in the past have divided close to $8 billion in federal funds; in your bill and the appropriations bill which will be adopted by this Congress, sad to say, the Congress will demand that housing agencies do the same and more activities with fewer dollars. It's the old Republican game of block and cut.

I am deeply troubled by two policies advanced in this bill -- the lack of any targeting at all to very low income families and the elimination of the 30% rent to income ratio, or the Brooke amendment. Particularly as the Republican majority pushes Draconian cuts in funds for housing authorities, PHAs will be virtually propelled to rent their precious few vacancies to families earning 50% to 80% of income and to raise rent on very poor families who will be forced to the streets to find other affordable housing. PHAs need to make up the shortfall somewhere.

Now like every other member of this Committee I favor mixed income communities. However, like many Republican policies, this policy will fall disproportionately and more quickly on the most vulnerable. We need to go slowly and proceed fairly.

I realize housing authorities everywhere are saying "hallelujah" and "just give us the money and we will make the right and fair decisions." Although I believe most housing authorities want to proceed fairly, we still need in place overarching, principled federal standards against which to measure performance --not to cross "Ts" and dot "I"s --and to protect some of the very poorest families in our communities. That's what's missing in this bill.

I hope that in the coming months, members of this Committee and this Congress, along with the industry and the Administration can work out the compromises that are critical to reforming and revitalizing public housing.

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OPENING STATEMENT
CONGRESSMAN LUIS V. GUTIERREZ
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY
SEPTEMBER 29, 1995

Chairman Lazio, I am looking forward to hearing from our witnesses today about your proposed changes to the public housing system in this country. Unfortunately, however, I have not had an opportunity to adequately review your bill before this hearing. My office only received a copy of the actual bill yesterday evening. Mr. Chairman, in the future, I believe it would be more helpful to have a chance to review the legislation before a hearing is scheduled.

However, I believe your bill addresses many very important issues. Issues that the Chicago Housing Authority and public housing residents in my district have been struggling with for years. The proposed revisions of the elderly/disabled housing laws appear to be a step in the right direction and I am interested in the comments of these and future witnesses about the suggested changes. Elderly residents in my district find the current conditions absolutely unacceptable. They are afraid to come out of their homes and are fed up with living in fear. I hope we can work together in the coming weeks to ensure that your proposal will solve this problem in a comprehensive and workable manner.

I also commend your efforts to create more mixed-income communities in our cities. I believe income mixing is critical to the success of public housing residents. We know all too well the

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ramifications of concentrating lower-income residents - Mr. Chairman, you can see this for yourself when you come to Chicago next week. However, we must also be careful not to saturate other communities with the very low-income and create current conditions in another part of town. In recent years, Hispanic communities in Chicago have been inundated with public housing units and citizens in these neighborhoods are angry. We must also ensure that waiting lists reflect the communities. The old waiting lists are unfair. I believe that if a unit is built in a community, residents of that community should have an opportunity to live in that unit. Too often, new units are occupied by only those from outside the community, creating resentment and outrage among neighbors.

Finally, I would like to take a moment to welcome Christine Oliver, President of the Chicago Dwelling Association. Ms. Oliver is a member of my Section 8 working group and we always appreciate her input on issues affecting public and Section 8 housing residents.

Mr. Chairman, I congratulate your efforts in bringing forth a bill to deal with these issues and I look forward to having the opportunity to review this legislation more carefully. I trust that you and your staff will be willing to work with this side of the aisle in crafting a good bill to bring to the House floor.

Thank you.

COMMITTEE ON BANKING AND FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY
HEARING: PUBLIC HOUSING: DEAD, DYING, OR SURVIVING?

OPENING STATEMENT
THE HONORABLE LUCILLE ROYBAL-ALLARD

Thank you, Mr. Chairman.

Today's long-awaited hearings gives us a chance to review the role of public housing and the impact the proposed changes will have on housing authorities and their residents, due to drastic housing cuts in the Budget, and appropriations bills. As difficult as the task may be, it is my hope that today we can begin to discover ways to make the transition easier, while at the same time protecting residents from the most painful and disruptive aspects of these cuts.

In the 104th Congress, we have the opportunity to transform the Federal Government's role in public housing while increasing efficiency and effectiveness. These worthy objectives, however, should not be reached at the expense of quality housing services for the Nation's public housing residents or by losing sight of our ultimate gaol, which is to prevent homelessness and improve public housing programs for those in greatest need.

In my 33rd District of Los Angeles, there are almost 3,000 public housing units. 81% of these public housing residents belong to minority groups, a third are seniors and another third are single parent households. It is critical to remember the special needs of these residents as we reform public housing. Otherwise, we will fail in our mission.

While the Republican housing plan being unveiled today contains provisions that address many of the problems of public housing, numerous important issues are not addressed or need more careful consideration. For example: More consideration needs to be given to the difficulties of block granting funds into one supposedly comprehensive grant, and the need to encourage families to stay together and working residents to stay employed without penalty to their rental contribution.

Completely ignored in the bill, but critical to real reform are the struggles of low income residents to find affordable rental housing if not given needed preferences, and the problem of unaffordable rents for low income residents if the Brooke amendment is repealed.

These and other issues must be explored before we can pass effective and meaningful legislation on public housing.

I look forward to working with the Subcommittee, and representatives of public housing, such as our panelists today, to ensure that public housing reform legislation has a positive outcome for all involved.

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Testimony of John H. Hiscox
Executive Director, Macon, Georgia Housing Authority
on behalf of the
Public Housing Authorities Directors Association

The United States Housing Act of 1995, H.R. 2406

U.S. House of Representatives
Subcommittee on Housing & Community Opportunity
Honorable Rick Lazio, Chairman
September 29, 1995

Mr. Chairman, members of the committee, my name is John Hiscox. I am the Executive Director of the Macon, Georgia Housing Authority. Today, I am representing the Public Housing Authorities Directors Association (PHADA) in my official capacity as the association's Vice President for Legislation. PHADA, which represents about 1,700 housing authorities from all over the United States, truly appreciates the opportunity to testify on this important legislation.

Before getting into the substance of my remarks I would like to thank you, Chairman Lazio, for your willingness to consult with the industry on this legislation. Obviously, your bill holds profound ramifications for the future of public housing and we are grateful that you have reached out to those in the field who will ultimately be administering the policy changes you initiate in Congress. I would also like to take a moment to note the fine work of your staff. In particular, Joe Ventrone and Valerie Baldwin have done a commendable job in developing and refining this legislation.

I was fortunate enough to the have the opportunity to testify before this panel's Senate counterpart yesterday. Although the other chamber's housing bill and the measure you have introduced contain a number of variations, the objectives of the two bills are generally the same. Specifically, the legislation seeks to lift the massive amounts of regulation and red tape that are presently smothering the possibility for creativity and innovation in the public housing arena. At the same time, both pieces of legislation include much-needed and aggressive provisions to deal with troubled and "dysfunctional" housing authorities. PHADA strongly supports the intent behind this approach. We believe that if public housing is to survive as a viable institution, it is essential that Congress and the Department of Housing and Urban Development go after agencies that are not functioning properly. Simply put, the status quo will no longer suffice. Whether one likes it or not, so much of the general public's negative perception of public housing is based upon the small number of high-profile failures that exist in some of the nation's most prominent cities such as Chicago and right here in the District of Columbia.

There is another major reason why public housing statutes and regulations must be overhauled very soon. Without significant reforms in the way public housing agencies do business, many agencies will be forced into bankruptcy while others slowly bleed to death over the course of the next several years. Indeed, this very week, the Senate passed a FY 1996 appropriations bill which contains dramatic cuts in both HUD spending and public housing programs. The House appropriations bill (H.R. 2099), meanwhile, goes even further than the Senate in reducing outlays for public housing operating subsidies, modernization, and Section 8 assistance, among other things.

While I realize that these appropriations issues are not within the purview of this committee, I must say that, if the House-proposed PFS cuts were to be imposed on the Macon Housing Authority absent major statutory and regulatory reform, the residents would surely suffer. If the House version were to stay in effect, we would face bankruptcy in about three to three and a half years, even with major reductions in basic services. The same is true of most other public housing communities around this country.

It is therefore critical that this committee and the whole Congress work to shape public housing reform legislation that will not only help the industry address the impending budget cuts, but also improve the overall quality of the program. In general, it is PHADA' s

view that the "United States Housing Act of 1995" would go a long way towards achieving that worthy objective.

PHADA has a number of specific suggestions to improve the bill as you proceed to mark it up and move it to the House floor. For the sake of easy citation, I plan to track the major provisions in the order in which they appear in the bill. In addition, I want to note that some of our recommendations are more thoroughly detailed in the September 25 line-by-line commentary that we recently submitted to the housing subcommittee's staff.

Let me begin by saying that we favor the repeal of the Housing Act of 1937. That statute, which is now almost 60 years old, has become outdated, too unwieldy and, at a minimum, in need of a significant overhaul if it is still to be useful. Thus, it makes much more sense to repeal the old law and begin anew. Rather than scraping a few of the barnacles from the old hull, we need a new ship.

We support the statute's repeal for another major reason. In one fell swoop, all of the unnecessary federal regulations, handbooks, and other bureaucratic devices that have made HUD so "process-driven" and strangled the industry, will be eliminated. This one step alone, if successfully implemented, could yield significant savings to the federal treasury while also improving the delivery of safe and clean housing to low-income families.

I want to note, too, that PHADA very much supports the proposed statutory change that would allow HMAs to admit more families with incomes up to 80 percent of their area's median income. One of the chief problems confronting public housing professionals today is the fact that we house very few working families. This has not only resulted in a drain on the federal budget, but has yielded significant social problems in public housing developments all around the nation.

Some low-income advocates think this part of your legislation is a grave mistake and that the finite resource of public housing should be spared for the poorest of the poor. They argue that the status quo should continue, i.e. maintain public housing so that it is primarily geared to very-low income families. I would respond by pointing out the many failures associated with this very policy over the past dozen or so years. In too many American public housing communities, children grow up without seeing their parent(s) or even a neighbor ever going to work. How can we expect those children to develop a healthy work ethic? I would also point out that, under your proposal, HMAs would **continue** serving **low-income** families, a factor which is consistent with the stated goals of both the 1937 Act and your legislation.

While on this subject, I want to take a moment to applaud your decision to give HMAs the flexibility to implement rent policies that would lift the disincentives that preclude public housing residents from entering the workforce in the first place. In particular, we strongly support the section that would give HMAs flexibility to apply income adjustments, as well as the provision permitting earned income deductions for working families. We also support your plan to allow HMAs to deduct portions of a family's unreimbursed medical expenses, as is now the case for the elderly. This ameliorates the negative incentive to employment when a public housing family loses Medicaid and assumes private insurance.

In a technical matter related to this section, we suggest that you should add the term "such as" immediately before "including" (page 59, line 3). This change is needed because, without it, it would appear that a family's income is still *the* primary measurement an HMA

should use when determining rents. If the Brooke Amendment is repealed, we think it is important that the statute clearly state that income is but *one* of a variety of factors HMAs should take into consideration when calculating rents.

I would now like to digress for a moment and explore this critical topic of rent reform at greater length. It is of vital importance that we note here that the House bill, and most other major pending housing legislation, makes a major paradigm shift in the way public housing operations are financed. For the first time in twenty years, the House bill would break the near contractual relationship between PFS subsidy, and the allowable expense level and rents which exists in the current Performance Funding System. It restores, in essence, a system which existed between 1968 and 1975. For this reason, it is important to examine some of the major implications of such a paradigm shift.

Prior to 1968, federal funds were primarily used to pay the capital cost of public housing. Operational costs were paid almost entirely from rental incomes, which was possible because local housing authorities were given broad latitude in resident selection and rent setting policies. With the passage of the Brooke Amendment in 1968, local housing authorities lost such flexibility and began an immediate slide into social and financial bankruptcy. HUD dabbled with several interim subsidy schemes between 1968 and 1975, mainly those which granted HUD broad discretion in who receives subsidy. By the time PFS replaced these systems in 1975, most housing authorities were teetering on the edge of financial ruin.

As it was broadly represented at the time, the Performance Funding System embodies a type of contract between the federal government and housing authorities. Housing authorities accepted the loss of their discretion over rents and tenant selection and in exchange HUD guaranteed to fund the gap between a reasonable allowable expense level (AEL) and the PHA's rental income. This was the financial salvation of PHAs, but it came at a great price. A mass exodus of the working poor from public housing followed, with well-documented social consequences. At the same time, the federal government obligation for PFS has exploded, rising 2.2 times the inflation rate since 1986. Since the AEL on which PFS is based has rarely kept pace with inflation, the obvious culprit is the decline in tenant incomes, itself the result of misguided federal rental policies.

When PFS was first installed, many veteran housing administrators regarded it with horror. As a young HUD employee, I remember being told by many of them that PFS would eventually bankrupt both HUD and the PHAs, and the PHAs would be left holding the bag. I chided them for their lack of faith in the ability of HUD to keep its promises. Now twenty years later, I am forced to admit that they were right and I was wrong.

The point of all of the above discourse on the history of PFS is simply this: if the federal government wishes to break the relationship between operating subsidy and rental income, it is positively necessary to restore local control of tenant selection and rents. Failure to do so absolutely guarantees the financial bankruptcy of thousands of local housing authorities within a very short period of time. If, on the other hand, the federal government desires to maintain its current basic controls on who we serve and what they are charged, then it must maintain the existing PFS system and pay the piper. The minor savings from other types of deregulation notwithstanding, there is no middle ground.

The potential rewards for such a decoupling are enormous. HUD's own figures

document that if housing authorities were serving the same clientele we were serving in 1981 (33% of median income as opposed to 17% today) the demand for operating subsidy would not have climbed from $1.4 billion to $2.9 billion, but would have actually declined to less than $500 million. Such a radical reversal is not necessary to produce dramatic results; even if the shift of a few percentage points would save hundreds of millions of dollars in operating subsidy. By removing the negative incentives in the rent system that discourage employment, hundreds of thousands of existing AFDC-dependent public housing residents could be assisted into entry level employment and started on their way up and out of public housing. This is not an idle pipe dream; public housing worked that way – successfully – for almost 40 years.

I next want to move on to the section of the bill that contains the proposed Community Improvement Plan (CIP). PHADA has several concerns about this provision, the main one being that the legislation's laudable objectives pertaining to decontrol and deregulation could conceivably be negated by undue regulatory interference. Please do not misunderstand me. PHADA recognizes HMAs must be fully accountable to the taxpaying public. Our concern is based more on the HUD review and approval process rather than the specific CIP requirements.

PHADA believes that the CIP process should be revised to reflect three general principles. First, well-managed HMAs should be permitted to certify that their plans are in place and that the plans contain all of the contents required under the statute. Second, the Independent Public Audit (I.P.A.) should confirm the HMA's certification. (I want to briefly note here that the I.PA.'s role is greatly strengthened under the terms of the bill, a much-needed improvement which PHADA has long advocated). Finally, HUD's role should be limited to inspecting CIPs if it has reason to suspect that a well-managed HMA is not adhering to the terms of the statute. It is our view that this third element is absolutely essential if true decontrol of well-managed HMAs is to occur.

Our basic point is that HUD should leave well-run housing authorities alone and instead concentrate its resources on troubled and dysfunctional agencies. Indeed, we have no objection to an increased HUD presence in the case of those agencies and, in fact, we encourage the Department to take a more aggressive stance. In light of the impending cuts in the Department's budget and staff, HUD now more than ever will need to target its dwindling resources where they are most needed.

If for some reason Congress finds this recommendation unacceptable, then we suggest that you at least limit HUD's review to one of checking for completeness and legal compliance only. Moreover, we suggest that you incorporate strong language requiring HUD to act on plans within 45 days, adding that "insufficient time for review" is not a justifiable reason for delaying approval.

Our last major concern revolving around the CIP was that it could create a significant burden on small housing authorities. There are 2,647 PHAs in this country with fewer than 500 units of public housing. In addition, there are just a little more than 2,000 PHAs with fewer than 250 units. These agencies often only have two or three full-time employees. It is unrealistic to expect them to comply with all of the requirements under the CIP. We understand that your newly-introduced version allows for reduced requirements for these agencies, which we applaud.

PHADA mentioned a number of other CIP-related recommendations in our September

25 correspondence to the subcommittee staff. In the interest of time, I will not go over all of them now, but I should at least reference our position that HMAs only be required to publish the *availability* of their plans rather than their entire plans, since a CIP plan can reasonably be expected to exceed 500 pages. In addition, we suggest that you reduce the ten-year planning requirement down to five years instead. We recommend this because it will be difficult enough for HMAs to accurately plan for the next five years let alone the next decade.

The next item I want to address centers around the so-called "mixed populations" issue. Three years ago, this subcommittee drafted what was thought to be very good legislation to address the myriad of problems associated with the mixture of these two very different groups in many elderly public housing complexes around the country.

Unfortunately, PHAs have labored under unworkable HUD regulations that have ultimately frustrated efforts to separate their elderly and disabled residents. Clearly, there is a need to limit regulations if the provision is to be made workable. Our concern, though, is that the House bill does not adequately confine HUD's role in the process. Indeed, under the bill, HMAs would be required to meet at least seven or eight criteria before they could begin to designate developments for specific populations. In addition, the discussion draft states that the HMA shall submit "any other information and make any other certification to the Secretary that the Secretary considers appropriate." In our view, this section leaves way too much discretion to HUD and could again abrogate the legislation's worthy intent, especially given HUD's most recent history in issuing regulations to implement the current statute.

I want to make sure that PHADA's position is clear. We are not advocating that any current resident be involuntarily displaced, nor are we suggesting that HMAs be permitted to designate developments without providing alternative housing to the affected population. Rather, we suggest that HMAs be given the latitude to designate specific developments, or portions of developments, provided certain conditions (such as providing for relocation and absorbing the cost of moving expenses) are satisfied. With this in mind, we suggest that you consider the latest Senate authorizing language, which we believe would allow for such flexibility while still guaranteeing the rights of all residents.

Another provision that we suggest is in need of revision relates to the Headquarters Reserve Fund. Under the terms of the bill, three percent of an entire year's appropriation would be left to HUD to use at its discretion. If you use the current House appropriations bill as the yardstick by which to measure this amount, HUD would have more than $150 million at its disposal in FY 1996. We believe this takes too much in the way of sorely-needed funding that could instead be put to better use in many public housing communities. We therefore suggest that the reserve fund be stricken, or at least reduced to a maximum of one percent, or about $50 million.

The new block grant formula allocation is obviously of critical concern to all housing authorities. I want to note that, in general, PHADA supports the approach you have taken in the bill. For example, we endorse the elimination of so-called "boutique" programs (the Public Housing Drug Elimination Program excepted) and their subsequent consolidation into the operating and capital formula.

With that said, we do have concerns that the proposed formula might unduly reward poor performing agencies. We assert this because so much of it will be based on "need." Clearly, the needs of HMAs should be factored into the equation. Still, Congress must ensure

that it gets the most for the American taxpayer's buck. Currently, some "high-needs" housing authorities are, in effect, rewarded for poor performance and provided even more financial assistance to address their deficiencies. Unfortunately, this all too often seems to occur at the expense of well-run PHAs that have enormous needs as well. PHADA believes that Congress and HUD must stop rewarding failure. It is imperative, therefore, that the formula take *performance and capacity* into account in addition to an agency's needs.

We understand that, under the newly-introduced version, the formula is subject to the requirements of Negotiated Rulemaking. Because of the fundamental importance of this provision, PHADA would favor such an approach.

With regard to the ceiling rent provision, we appreciate that you included in the new version wording that precludes HUD from figuring the imputed debt service into the calculation. The application of imputed debt service has for years now been a constant source of frustration to PHAs that have tried to develop workable ceiling rents. It is important to note that the current statute references debt service, but HUD regulations apply tortured reasoning to require imputed debt service where no actual debt exists.

I next want to address the lease provisions in the bill. Under the terms of the discussion draft, HMAs would be permitted to evict families for non-payment of rent within a two-week period. However, under the same section, an HMA might have been forced to wait thirty days to evict someone who poses a health and safety risk to their fellow tenants. We understand that the new version permits HMAs to act within 14 days, and while we appreciate inclusion of this wording, PHADA believes Congress should let the HMA decide when to proceed with eviction, at least when eviction is for causes which pose an immediate threat to the peace and safety of the neighborhood.

In a matter related to this issue, we understand that you have incorporated language similar to the Senate's bill on criminal background checks. The provision is aimed at giving PHAs more information for use during the screening process. In some communities, public housing agencies have a difficult time obtaining such records from their local and state police. The legislation, in effect, would allow all housing authorities to gain access to such information from their local law enforcement agencies and the National Crime Information Center.

The language does have one flaw that we recommend you correct. As presently drafted, the bill permits housing authorities to obtain access to criminal conviction records. PHADA suggests that PHAs be permitted access to conviction **and arrest** records. These changes would help keep dangerous felons out of public housing and protect against possible security and crime-related problems in the future.

On another issue related to better security for public housing residents, I want to observe that we strongly support the language in your bill that lets HMAs bypass the administrative grievance procedure as long as state law provides due process and other rights to those being evicted. This law has worked fairly well since its implementation a few years ago and we appreciate the fact that you are including it in the new statute.

As already noted, PHADA is generally supportive of the bill's plan to consolidate public housing funding into two funds, eliminating the so-called boutique programs. Nonetheless, PHADA strongly recommends that the House consider a single exception to this general principle and reauthorize the Public Housing Drug Elimination Program (PHDEP).

Public housing neighborhoods have been ravaged with drug-related criminal activity, but many of our members have successfully used PHDEP to turn the tide. PHDEP funds are multiplied by a factor of three to five times with local leveraging. It is unthinkable that we should revert to the days when gangs of UZI-toting thugs should walk our developments with impunity. We understand the House's desire to give us the flexibility to use capital funds for these purposes, but H.R. 2099 does not contain sufficient funding levels to sustain drug elimination efforts.

I must note that our membership has serious reservations about the bill's work requirement for residents. First, we are highly skeptical whether HMAs are going to have the time and administrative capacity to run this program without the infusion of additional funds. We foresee this requirement becoming a real record-keeping nightmare for housing agencies, particularly for those very small PHAs I mentioned a few moments ago. In addition, we are very concerned about the feasibility of this requirement under the tenant-based section of the bill. As it stands now, most housing authorities only see their Section 8 residents once or twice a year. The work requirement, then, could prove quite onerous for agencies that administer programs that are spread out over dozens and even thousands of square miles.

Given the political climate surrounding this matter, we recognize that it is unlikely the work requirement will be omitted. Therefore, we suggest that you at least consider some modifications to make it more workable. This could be achieved in a variety of ways. For example, we suggest that you incorporate the word "volunteer" to ensure that the work could be community service-oriented, and that it could be performed in schools, libraries, hospitals, etc. We further suggest that you permit the local HMA to decide who should be exempted. The discussion draft left this decision in HUD's hands, but clearly the HMA is in a much better position to make this determination.

We understand that the newest version of the bill incorporates PHADA's suggestion to exempt both full-and part-time students, those taking vocational training, and families that are meeting work requirements under other public assistance programs. This is consistent with the bill's objective of rewarding those who are already on the path to self-sufficiency, and we thank you for including the language in the bill.

As I briefly mentioned at the outset of my testimony, we generally support your tough approach to dealing with troubled housing authorities. We think it makes sense that you permit HUD or court-appointed receivers to take over dysfunctional and "chronically troubled agencies" that have not improved under the present Public Housing Management Assessment Program (PHMAP). We concur with the bill's premise that it would not make sense to wait until the Accreditation Board is operational before acting in these instances.

In general, we also support the section that permits HUD to intercede in troubled agencies when the residents vote to request HUD's intervention. However, we recommend that the legislation be modified to ensure that there is true resident support for HUD action. This could be accomplished by requiring that there be a two-thirds majority vote by the Resident Council. In our view, this vote should be followed by another plebiscite conducted amongst the entire resident body. We maintain this is necessary because sometimes resident councils are not truly representative of all the residents. A two-thirds vote would therefore ensure that there is broad support for requesting HUD's intervention.

In a related matter, we recommend that the legislation place a reasonable limit on the

amount of funding the new management would be allocated for a specific development. This is necessary in our view to ensure that a disproportionate share of money is not devoted to one development at the expense of other housing agency complexes. Some specific technical language you could use to accomplish this goal is included in our September 25 correspondence.

Our letter to the subcommittee staff also cited a number of recommendations to make the homeownership provisions more workable. In general, though, we think that it should be made optional. Given the impending budget cuts, housing authorities will have their hands full just trying to continue the basic delivery of services. Still, there are others that will continue with their innovative efforts to help low-income families achieve homeownership. To help them facilitate this objective, you should alter the legislation to make it clear that HMAs need not sell their own units to prospective buyers, but that they can also assist families purchase units outside the agency's inventory. Again, our September 25 correspondence contains a number of technical recommendations as to how the statute could be altered to reflect this position.

We support the strategy you have taken with respect to establishing a new Accreditation Board. The Public Housing Management Assessment Program (PHMAP) contains many flaws as it is presently constituted, and we like the idea of taking the assessment tool out of HUD's purview. Further, we appreciate the new definitions you have established to delineate between "exceptionally well-managed," "well-managed," "troubled" and "dysfunctional" agencies. PHADA especially likes the term "dysfunctional" because it creates a needed distinction between troubled agencies that still have a chance to improve and those agencies that are beyond saving.

We have already offered a number of technical suggestions to further enhance the Board's functions. For one, we suggest that the Board maintain oversight of *all deep subsidy housing programs and not just public housing.* This would help HUD and Congress focus more needed attention on other segments of the federally-assisted housing program, which too often are mistakenly associated with public housing. In addition, it would ensure that the operators of those other programs are held to the same standards as HMAs and made fully accountable to the taxpaying public.

One of the other major needs we have cited is to have the Accreditation Board distribute a list of acceptable independent audit firms HMAs could utilize. While we support your approach to have the Accreditation Board involved in the audit, we are concerned that the bill will create lengthy delays since the Board and more than 3,000 HMAs would be required to *jointly* select auditors.

I would now like to focus for a moment on the tenant-based section of the bill. We noted a number of substantive and technical recommendations on this section in our September 25 correspondence. In the interest of time, I will cover only what we view to be the major segments of this portion of the bill.

I would begin by observing that, similar to the public housing formula allocation I mentioned earlier, we are concerned that the proposed "needs-based" formula could prove disastrous for many communities around the country. The recapture provision, in our view, is a travesty and is a good case in point to illustrate our concern.

Under the bill, 50 percent of an agency's turnover assistance would flow to

communities where the Secretary deems there exists greater housing needs. Under this language, it is quite conceivable that a majority of assistance will shift to larger, urban areas simply because formula tend to favor those communities.[1] While this may be the case, the needs of non-metropolitan and rural communities will not somehow be magically reduced. Indeed, under this provision, their waiting lists will continue to grow longer and homelessness will undoubtedly rise in dramatic proportions.

For this and a host of other reasons, we think that the proposed formula needs to be reconsidered. Perhaps hold harmless provisions could be included to protect smaller communities from losing their much-needed tenant-based assistance. At a minimum, we suggest that you give serious consideration to making the formula contingent upon Negotiated Rulemaking requirements. This would help ensure that the needs of all communities are better served.

With regard to the proposed restructuring of the administrative fee, our preliminary analysis reveals that the suggested six percent allocation will prove insufficient to address the costs of the average HMA. In my housing authority, for example, we have calculated that we would require at least 7 percent to continue running the program to at least meet our costs. Other PHADA members have indicated they will require considerably more funding. We want to indicate, though, that we are not necessarily opposed to the idea of tying the fee to the HMA's entire block grant as opposed to the Fair Market Rent (FMR). We vigorously oppose HUD's proposal for "cost-based" formula, which will have the effect of regarding inefficiency and increasing HUD control.

In a matter related to this provision, we suggest that you consider the Senate language that gives housing agencies the flexibility to establish payment standards at 80-120 percent of the Fair Market Rent. This will give both residents and housing authorities more flexibility and options in the tenant-based programs at this time of declining federal assistance.

Lastly, I want to briefly touch on the section that eliminates the present portability system and instead requires HMAs to give previously-assisted families preferences when they move to a new locale. We support this provision, but oppose the following section, which would further require HMAs to let recent movers jump ahead of other families on their waiting lists. We are opposed to this provision for a number of reasons including the fact it would make the already difficult task of waiting list management even more complex. In addition, it would be extremely hard for an agency to reconcile the new requirement with its system of local preferences. For all of these reasons, we suggest that you reconsider this section as you proceed to mark-up the bill.

Before closing, let me again say how much we appreciate the fact that this panel has sought our input and guidance on this important proposal. At this time, I would be happy to address and questions the subcommittee might have. Thank you.

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[1] Current HUD "needs" formulas count as Section 8 eligible all families under 50 percent of median income, which seriously overstates the actual need in many high-income urban areas. In my home state of Georgia, for example, 50 percent of the median income in Fulton county (Atlanta) is greater than 100 percent of median in poor, rural Hancock county. Despite the greater concentration over poverty, Hancock County is under-counted -- and under-allocated.

Omaha HOUSING AUTHORITY

TESTIMONY

OF

ROBERT L. ARMSTRONG
PRESIDENT & CEO
HOUSING AUTHORITY OF THE CITY OF OMAHA
OMAHA, NEBRASKA

ON BEHALF OF

THE OMAHA HOUSING AUTHORITY
AND

NATIONAL ASSOCIATION OF HOUSING
AND
REDEVELOPMENT OFFICIALS

ON

THE UNITED STATES HOUSING ACT OF 1995

BEFORE

THE SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY

RAYBURN HOUSE OFFICE BUILDING
ROOM 2128
10.00 A.M.

SEPTEMBER 29, 1995

TESTIMONY OF ROBERT L. ARMSTRONG
September 29, 1995

Good morning, Mr. Chairman, and members of the Subcommittee on Housing and Community Opportunity. My name is Robert L. Armstrong and I am the President and CEO of the Omaha Housing Authority in Omaha, Nebraska. I am appearing before the Subcommittee both as President of the National Association of Housing and Redevelopment Officials (NAHRO), and as the chief officer of the Omaha Housing Authority. I appreciate the opportunity to appear before you today to provide testimony on the "United States Housing Act of 1995".

NAHRO is a 62-year old professional membership organization that represents 9,000 housing and community development agencies and individuals throughout the country. NAHRO represents 2,900 of the nation's 3,400 local housing agencies (LHAs). NAHRO members administer an array of HUD programs including public and assisted housing, homeless assistance and community development programs.

The most important issue that is addressed in this legislation is deregulation of the public and assisted housing system. In calling for deregulation and greater flexibility in determining local rent structures, we are not seeking in any way to create burdens on current residents. We are simply seeking to create environments that are fiscally sound and physically safe for residents to live in, and to eliminate the disincentives to work.

For decades, local housing and community development agencies, as administrators of federally assisted programs, have been told by HUD whom to serve, how to run their programs, how much rent to charge and how long assistance could continue. This over-regulation has undermined local flexibility and decision-making, imposed unfunded mandates and inefficiencies in program operations, and interfered with the ability of local agencies to assist the low- and moderate-income population to become self-sufficient.

It is important to remember that a majority of local housing agencies (LHAs) are well run institutions providing affordable housing to the nation's poorest population. The ability of these LHAs to administer these programs properly is reflected in the fact that 97 percent of the nation's housing and redevelopment authorities are well managed, according to the Public Housing Management Assessment Program. These LHAs are keeping the public trust by providing this housing in a cost-effective manner with secure environments. Those LHAs that are mismanaged should be dealt with decisively.

In spite of the deregulation provisions, Congress must hold the line on additional cuts to public and assisted housing in 1996 and beyond, if we are going to adequately serve both current and future residents. We simply cannot operate public housing programs in the 1990's the same way we operated them in the 1970's and 1980's.

Across the country, there is a growing need for decent, safe, sanitary and affordable housing. The current public housing inventory of 1.4 million units, which represents an excess of a $90 billion investment, is an important part of the supply of housing affordable to low-income people.

What is needed is a framework like the one provided in this legislation, which gives maximum flexibility to the housing authorities to tailor programs to meet the individual needs of their communities. This flexibility will allow public housing agencies to serve a broad range of low-income households, with low-income being defined as 80% of MSA median income or below.

We applaud the Chairman's recommendation to eliminate Federal Preference Rules and the Brooke Amendment. Based on what is needed to maintain the fiscal and physical viability and marketability of their units, local housing authorities will be allowed to design rent structures that are appropriate for their locale and reasonable for residents. We, in Omaha, are in a better position than HUD to determine what an appropriate rent structure should be for Omaha residents.

NAHRO believes public housing should support families in their efforts to move from reliance on public housing and other public assistance. We believe that local housing agencies should be allowed to create rent structures or other program incentives that create an environment of upward mobility and that enable families to move out of public housing.

We agree that housing agencies should be allowed to establish minimum rents but the federal government should not dictate what that minimum level should be. In some communities, a $50 minimum rent may not make sense for the rent structure devised by the LHA. A LHA may want a minimum rent that is tied to a sliding income scale that may start below $50, and end at a level equal to the operating cost of the unit, or use graduated rent as an inventive to encourage self-sufficiency.

I would like to raise another concern that I believe will provide some complications in implementing key portions of the bill. The Senate approved an appropriations bill, H.R. 2099, which includes a provision that allows the Secretary of HUD to adjust the modernization fund to allow added weight to backlog needs. This provision will essentially benefit larger authorities that have accrued, in some cases, significant backlog needs.

I raise it because I want to urge you to work with your colleagues on the House Appropriations Committee to oppose that provision. Due to the flexibility provided in this bill, there is not a need to adjust the modernization formula to address backlog needs

As the President of NAHRO, I am very aware of the challenges faced by large authorities. In the appropriations bill, large authorities will be able to access a separate account of $500 million to demolish obsolete units. This leaves $2.5 billion in the modernization account for ALL other housing authorities. This amount is a 33 percent reduction from the 1995 pre-rescission level of $3.7 billion.

Medium and small authorities will receive a triple hit from this appropriations bill if this provision remains intact. First, there is the reduction in funds for 1996. Second, there is the set-aside for demolition. Finally, there is the proposal to adjust the formula for backlog needs.

To summarize the national perspective, we strongly support enactment of legislation that will create the type of flexibility that will allow us to administer our programs in a fashion that truly reflects local needs. It is our hope that Congress will proceed cautiously in its review of the federal role in housing and community development.

Now, from a more personal perspective, let me share with you some of the programs which have been initiated in Omaha and which enable people to move up and out of public housing in a positive way.

The Omaha Housing Authority currently owns, manages and operates over 6,700 housing units throughout the City of Omaha. The current annual operating budget is $30 million, with $128 million in assets.

In addition to providing housing, OHA has established many programs aimed at enhancing the opportunities for public housing residents to become economically and socially independent. These programs include combating crime, emphasizing the importance of education, encouraging neighborhood pride, and a "get out the vote" campaign.

While OHA has many programs designed to move adult residents toward self-sufficiency, there is a strong emphasis on programs for our children. All must be considered at-risk because crime and drugs flourish around their neighborhoods. It is the Omaha Housing Authority philosophy that **we do not want the public housing children of today to have a need for public housing when they are adults.** We stress education as a vital avenue in the achievement of this goal.

Because of the economic environment in which they live, along with other factors, most public housing youths possess a very low self-image. They lack confidence in their ability to achieve in school, and often exhibit unacceptable behavior in the classroom. As a result of low self-esteem, the dropout rate for these youngsters is often staggering. It is only through the restoration of personal pride, of self-worth, in our public housing youths, that we can ever hope to see them as self-sufficient adults.

Resident Relations.

We feel the key to creating a healthy and positive living environment lies in our relationship with our residents. Accordingly, in mid-1986 OHA established a Resident Relations Department.

The workers in this unit are, among their many other duties, responsible for the Authority's various educational programs, about which you will read later. They also work closely and extensively with the resident organizations, and the wide range of service agencies and organizations which serve the Omaha community. The Resident Relations team is a vital link to virtually every program initiated by OHA.

OHA-OPS Partnership.

In the fall of 1986, the Omaha Housing Authority formed a partnership with the Omaha Public Schools (OPS). The Housing Authority discovered there were alarming numbers of teenagers who had dropped out of school. The first order of business was to return these youngsters to the classroom. OPS officials devised a method to return them to the school system with a minimum of red tape.

School officials have been extremely cooperative in helping public housing parents to attend parent-teacher conferences. This has been achieved by bringing teachers to our housing sites to meet personally with parents. Periodically -- usually twice a year -- school principals from every public school in which OHA children are enrolled, meet with Housing Authority staff and leaders of our resident organizations. Also, school staff very frequently contact us when our students are having problems -- absences, need for tutoring, etc.

The Housing Authority has not been negligent in holding up its end of the partnership. On school days you will find no school-age children roaming the grounds at our family sites. Should one be seen, administrative and maintenance personnel are instructed to find out who the child is, where he or she lives, and to report the occurrence immediately to Resident Relations or Housing Management so that a follow-up may be conducted. Should one of our children be absent from classes for two consecutive days, OHA is contacted by OPS and a personal visit is paid to the household by a Resident Relations Coordinator.

With the exception of the legitimate illness of a child or another valid excuse -- such as a death in the family -- school absences are not acceptable. The OHA philosophy is "If our students are without clothing to go to school, we will get them clothing; if they are hungry, we will feed them; if they miss their bus, we will provide them transportation. You see, we accept no excuses. One day out of the classroom means an educational opportunity lost, never to be retrieved."

The Study Centers.

An outgrowth of the OHA-OPS partnership was the establishment, beginning in late 1986, of our Study Centers, one at each multi-family site. Two evenings per week, volunteers are on hand at each Study Center to provide individual tutoring for our students who need assistance. The volunteers come from the Housing Authority staff, from student groups at the University of Nebraska-Omaha and Creighton University, retired school teachers, various businesses, and retired employees of the business community. The centers are equipped with desks, chalkboards, textbooks, workbooks, and a variety of other teaching aids, all donated by the Omaha Public Schools.

In 1990 OHA opened a computer center for its young scholars. This is with thanks to local businesses and California's Apple Computer Corporation, which alone donated 12 MacIntosh computers, five Image-Writer printers, software and other accessories. Today there is a computer lab at each study center, where students are given hands-on instruction on computer usage.

The number of young students taking advantage of the Study Centers continues to grow, and the results are very encouraging: Their grades have risen dramatically, and we have seen remarkable improvement in their classroom behavior. There are countless success stories to relate, but perhaps this remark made by one of the public school teachers tells it best: "I wish every child in my classroom lived in public housing."

The OHA Foundation: Scholarships and Educational Incentives.

In the fall of 1986 the OHA Board of Commissioners created the Omaha Housing Authority Foundation, Inc. It is funded principally through an agreement between OHA and the local cable television company. For much less than what other subscribers must pay for the same service, Authority residents are afforded 41 channels of cable-TV. OHA collects monthly cable charges along with rent, and one dollar of each cable payment goes into the Foundation treasury. Authority employees may also contribute to the Foundation through payroll deduction, as many have opted to do.

Among its other worthy causes, the Foundation awards an annual $2,500 scholarship to the public housing high school graduate with the highest grade point average.

OHA students, grades eight through 11, with the highest GPA are awarded $100 savings bonds and engraved plaques citing them for educational excellence. Finally, public housing students with perfect attendance during the academic year are presented $100 savings bonds, and certificates of recognition.

While these scholarships and other awards represented a giant step forward, we were not satisfied with stopping there. Next we approached institutions of higher learning seeking additional post-high-school educational opportunities for public housing students. Our efforts did not go unrewarded.

For, by 1988, OHA had secured commitments from many colleges and universities to provide scholarships for the Authority's high school graduates: Creighton University, Omaha's College of St. Mary, the University of Nebraska at Omaha and Langston University in Oklahoma have given as many as six full, four-year scholarships in one year to OHA students who have excelled academically during their high school careers.

The 1989 Awards Ceremony was one that OHA will always consider special. First, thanks to the generosity of a local church group and the Omaha Chapter of the National Council of Christians and Jews, the Foundation was able to offer three $2,500 scholarships. Not only that, we had so many high achievers that year that five public housing high school graduates were awarded full four-year scholarships to various learning institutions.

The spring of 1993 saw the first of OHA's scholarship recipients receive a college degree. As our first college graduate, the recipient was also the first to have her photograph displayed on the OHA Foundation's "Wall of Fame" in the Board room. Photographs of four other scholarship recipients have been added as they earned their degrees.

As of the fall, 1995, OHA had 18 students in college majoring in a variety of subjects such as art education, math, elementary education, pre-med and international business. Bright students, bright futures.

Athletics.

An extension of our educational projects is our athletic programs. Formal competition, it is felt, inspires self-esteem and brings home to its participants the part teamwork and discipline must play in their lives.

In the fall of 1988 a football team was created -- the "OHA Heavy Hitters" -- for children, ages 10 to 12. Today the team participates in city-wide midget football competition, and is coached and managed by volunteer OHA staffers. A cheering squad, also made up of residents, was formed at the same time as the football team, and was also sponsored and coached by OHA volunteer personnel.

The summer of 1993 marked the beginning of OHA's Pacesetter RBI Baseball. OHA's Baseball Program, directed by OHA Resident Relations personnel and Omaha Police Officers, is an effort to teach children more than the national pastime. Five days a week during the summer, the youths and their baseball mentors work at learning and playing the game.

Lunch is served and afternoon presentations are made on a variety of topics. A strong OHA partner, the Pacesetter Corporation, funds the baseball program and provides major support to the football teams.

There are OHA basketball teams which have won city championships as well as taking top honors in the Cornhusker State Games held each summer in Lincoln; and there is the "Running Authority" track team that has won gold medals twice in the Cornhusker State Games, and traveled to National Junior Olympics competitions in Washington, California, Louisiana and Florida.

It should be noted that any sports participant who misses school on any given day is denied the opportunity to practice with the team that evening. Moreover, one missed practice during the week makes the player ineligible to compete in the next scheduled game or meet.

We believe that adults also benefit from organized competition and exercise. OHA's LaFern Williams Center offers basketball and volleyball leagues for adults at various levels of competition. Alternative activities are offered for those who do not want to play ball.

In the fall of 1994, OHA utilized a grant to open a state-of-the-art fitness center at the LaFern Williams Center. A certified Fitness Coordinator is on staff to tailor exercise programs to meet individual needs. Special low-cost rates are offered to OHA residents while the public can join at very competitive prices. Healthy bodies lead to healthy minds and successful individuals.

These athletic and fitness programs continue, and participation has grown significantly. It is yet another way OHA has devised to keep its children off the street corners and away from those who are bent on leading them into activities that can only hurt their chances of achieving the kind of life to which all children are entitled.

Center Stage Theatre.

Also located at OHA's LaFern Williams Center is the Center Stage Theatre. In the past, the Center Stage was the site of award-winning community theatre productions, but its future is in education. Classes are being offered in African American Creative Drama, Latino Creative Drama, Beginning Ballet, Introduction to Videotape Production and Theatre Production. Six productions are planned with all of them focusing of the issues of staying clear of gangs and drugs. Improved communication skills and higher self esteem are just two of the benefits young people will gain from participating in theatre productions.

OHA's Youth Leadership Council

In 1994, with funding through a HUD-sponsored Drug Elimination grant, OHA developed its Youth Leadership Council. It was apparent that OHA youth were not being served by traditional leadership development programs. Due to transportation difficulties and the costs of being involved in activities like student council, the talents of OHA youth were in danger of being wasted. To remedy this concern, the Youth Leadership Council was formed. Twenty young men and women of high school age were recruited from the ranks of our residents.

The experiences of the Youth Leadership Council have been many and varied. Community leaders, OHA Board members and the Authority's management staff have all shared their experiences with the Council. From these activities they have learned about everything from dining etiquette to job interviewing skills. They learned about selecting a college and, most significantly, about how to become leaders.

During the holidays the Youth Leadership Council helped deliver food and gifts to their needy neighbors. The Mutual of Omaha Legal staff conducted a special session on crisis resolution for the students. Our young leaders took part in role-playing, and took home skills they can share with their peers to directly address the country's epidemic of teenage violence.

The first year's highlight came in October, 1994, when six select members of the Council traveled to Baltimore, Maryland. There, the NAHRO National Conference provided a forum for their presentation on "Bridging the Gap Between Youth and Public Housing Administration." The session was judged to be a tremendous success.

Already the Youth Leadership Council is paying dividends to the community. The members routinely provide assistance for OHA and community functions, and are recruiting new members for the Council.

Drugs and Gangs? In Omaha, Nebraska?

In May of 1986, OHA staff raised warning flags that the community had a gang and drug problem. Unfortunately, those warnings fell on deaf ears: There were those who didn't believe there was a problem, others who chose to ignore it, thinking it would go away. Those who did recognize a problem existed, with very few exceptions, felt it was not their problem, because drug and gang activities were confined to "the projects." To that, OHA staff responded, "If there are drugs and gangs today in Logan Fontenelle Homes (one of OHA's large multi-family developments, since demolished), they will be in Regency (Omaha's most affluent area) tomorrow."

While OHA had its share -- perhaps more than its share -- of drug dealing and drug busts, of violence including drive-by shootings, OHA's words of warning were prophetic. During many public appearances before community groups, OHA spokespersons were often asked where the gangs and drug dealers would go if we were successful in driving them out of public housing. The response was, "They'll come to your street corners. We really don't care where they go, so long as they're not in our public housing neighborhoods."

Through a solid alliance with the Omaha Police Department (OPD), and strong measures the Authority has taken -- and about which you will read later -- our many decent family housing residents have regained control of their neighborhoods. We would like to say these criminal activities have been eliminated from Omaha's public housing areas. Unfortunately, they still exist, but on a very limited basis as, gradually, inroads have been made in addressing these problems.

In the fall of 1995, OHA entered into a partnership with Catholic Charities in our continuing effort to prevent the use of drugs in public housing. This collaborative arrangement utilizes a counselor, on site, at an OHA facility.

This certified drug and alcohol abuse professional, provides individuals with assessment, case management and referral. If the problem is severe, the client can be referred to a rehabilitation center for comprehensive care. Follow-up services are provided for six months upon completion of the program.

Eviction Policy.

The Omaha Housing Authority was cited by former HUD Secretary Jack Kemp as having the toughest eviction policy in the nation. That policy reflects the fact OHA stresses responsibility and accountability. In 1987 the existing policy was strengthened, and in 1989 it was strengthened even further.

If we have evidence a member of a household is selling, using or even in possession of illegal drugs, that family is served a three-day notice to vacate. This policy covers not only involvement by the head of the household, but children and visitors as well. Moreover, if the criminal activity takes place away from Authority premises -- even in another city -- the eviction may be carried out.

While this might sound harsh and cold-hearted, it should be noted that OHA staff works closely with residents, other community groups and service organizations to provide counseling and referral when possible, prior to evicting. We feel our responsibilities are to house individuals, not to evict them. At the same time, we must insist that they adhere to our rules and regulations so that we can maintain a safe living environment for all residents.

The Curfew and No Trespassing Policies.

In mid-1989 the Authority introduced two new policies aimed at keeping the criminal element out of public housing neighborhoods. It had been earlier determined that probably less than five-percent of illegal activities in our housing neighborhoods were perpetrated by OHA residents; the remaining 95-plus percent of the offenses were committed by outsiders.

To curb this problem, the late summer of 1989 saw the introduction of a new no trespassing policy. Individuals who are on OHA premises without a valid reason are subject to arrest. Legitimate residents -- including heads of households and their children -- have been issued ID cards which carry their photographs. Meanwhile, a select team of law enforcement officers supplied by the Omaha Police Department, some on foot, others in cruisers, and still others on bicycles, patrol the public housing neighborhoods to see that the no trespassing policy is enforced.

Another measure taken at the same time was the imposition of a curfew which affects all public housing youths under age 18. The curfew is in effect each evening beginning at 11 p.m. and lasting until 6 a.m. the following morning. During those hours all youths are expected to be inside their homes, except for those teenagers who hold late-night jobs. Violation of this policy could lead to eviction of an entire family. This is in keeping with OHA's firm belief that parents must be held accountable for the whereabouts, actions and activities of their children.

Cleanup Campaign.

In mid-1986 "Operation Cleanup" was instituted by the Authority, and is held in the spring and fall of every year. On a designated day all Housing Authority offices are closed. Aside from two persons left at each site to respond to emergencies, all other administrative and maintenance personnel, even Commissioners, report in work clothes to a family housing site. Here they are issued rakes, shovels and brooms and "Operation Cleanup" is underway, promptly at eight o'clock in the morning.

Employees then spread out over the development and spend the day making it the bright spot of the community. Aside from the visible results, which are significant, it provides employees an opportunity to work side by side with residents for the day, an opportunity rarely afforded many administrative personnel. It reiterates the fact that OHA staff cares about residents, and strives to foster an environment in which the residents themselves may take pride.

AugustFest.

In 1987 the Authority held its first AugustFest, which today has become a tradition. It is considered a celebration for all citizens of the inner-city, particularly those who live in public housing. The annual event is held on a rotating basis at each family site. Its theme each year is to encourage youngsters to return to the classrooms as the fall school term approaches, and to stress the importance of attaining an education.

OHA employees volunteer their time each year for the Saturday celebration, and local businesses contribute dollars, services and goods toward making it a success. Booths, selling soft drinks, hot dogs, popcorn, cotton candy and sno-cones, are alive with activity. On display are the Omaha Police Division's Mobile Crime Lab, the Salvation Army Disaster Van, and an antique fire truck which invites children to climb aboard. Police officers and fire fighters mingle with the crowd, visiting with children and adults. Nearby is a stage where live entertainment is offered throughout the day, and just beyond that, drill teams perform and various basketball competitions are held.

Over 500 people attend each year's AugustFest. It is a celebration, for sure, but it is also testimony to the feeling of every OHA employee volunteering his or her time that day: "WE CARE!"

Get Out the Vote Campaign.

Leading up to the 1988 and 1992 national elections, the Omaha Housing Authority undertook a massive drive to register every eligible public housing resident so that he or she could vote in the primary and general elections. "Public housing residents could elect the next president of the United States if every resident in public housing across the nation was registered, then went to the polls and voted," said OHA's President and CEO. "We will continue to encourage public housing agencies across the nation to actively register their residents to vote and then ensure they get to the polls on election day." Through a recent NAHRO-sponsored national resident voter registration campaign, over 130,000 public housing residents were registered to vote.

In Omaha, over 50 Authority employees have been trained, sworn in and serve as official registrars for the Douglas County Election Commission. Beginning six weeks before every election, the OHA bus carrying a large sign reading "Register to Vote Here!" drives through the streets of each public housing neighborhood. Aboard the bus are OHA employees/registrars with pencils poised over registration documents. "Motivators" move ahead of the bus, knocking on doors and inquiring if there is anyone in the household who is eligible to vote, and who has not registered or re-registered if there has been a change of address since the previous election.

On election day itself, again "motivators" move door to door asking residents if they have voted, and offering free transportation to the polls.

It is estimated that, since the campaign was undertaken, some 3,000 of Omaha's public housing residents and nearly 3,000 Section 8 participants are now registered to vote, many for the first time in their lives. Meanwhile, the program goes on 12 months a year, as residents and others may register at the OHA central office or at any of the management site offices.

FirstStep.

In 1991, thanks to U.S. Senator Bob Kerrey, the Authority received a grant from the U.S. Department of Health and Human Services. The funds -- $600,000 spread over the three-year period -- were used to address the high infant mortality rate and low birth-weight babies born to mothers in public housing. This after a study disclosed a shocking statistic: while the infant mortality rate for Omaha itself is 8.6 deaths per 1,000 live births, among women in public housing it is almost three times greater than that. A grand opening of the FirstStep program was held on September 9,,1991, with Senator Kerrey himself the honored speaker.

FirstStep is headquartered at the Authority's Martin Luther King Center, 3005 Emmet Street. While a host of services and agencies are successfully addressing the problems of high infant mortality and low birth-weight babies, FirstStep continues to grow as the community's needs are diagnosed. Since the inception of FirstStep, over 700 families have been served by the program. In addition, there have been 244 healthy babies born to FirstStep participants.

A Young Father's Program has recently been initiated to provide a new dimension to FirstStep. Through this program, men are provided counseling, parenting classes and other services which offer support to young fathers. In addition, a drug counseling center, as mentioned earlier in this report, has been established at FirstStep which provides confidential services to OHA residents and the surrounding community. There are 61 young men currently involved in the program with numbers growing weekly.

OPD/OHA Overnighter.

On the morning of March 21, 1991 Omaha Police Department (OPD) cruisers with two uniformed officers aboard invaded OHA's public housing family developments. While it might have appeared to be a massive drug sweep, it was nothing more than police officers knocking on doors, then loading into their cruisers children, both boys and girls, for an "overnighter." The youngsters, ages 10 to 12 years and 60 strong, were transported to the Authority's LaFern Williams Center in South Omaha.

There they were locked in for 22 hours with the 15 police officers who comprise OPD's Selective Patrol Unit, and members of the OHA staff. The Selective Patrol Unit, it should be noted, was formed by OPD to concentrate on the elimination of crime in public housing neighborhoods.

Once at the center, the officers lost no time in changing from their uniforms into gym clothes and sweats They immediately began mixing with their young charges -- on the basketball court, at the pool and ping pong tables, and in the commons area. There were plenty of activities and lots of food, but it wasn't all fun and games. Workshops were held on how and why youngsters become gang members, sessions on self esteem and responsibility.

One officer came only for his part in the program, then disappeared. He was an undercover narcotics officer who lectured the children on the dangers of drugs, then suggested to his audience, "Take a good look at my face, because you're going to see me in your neighborhood." As the hour grew late, the gym became the site of an enormous slumber party, as cots were set up and weary officers, OHA staffers, and 60 sleepy youngsters at last were afforded some much needed rest.

After breakfast the next morning the sessions began again, and lasted until officers loaded children in their cruisers and drove them back to their homes. Just before leaving, each child passed out a "warm fuzzy" -- in this case a ball of cotton -- to any other person involved in the lock-in with whom they felt especially close as a result of the overnighter. It is significant that police officers received their share of warm fuzzies on that March morning.

The overnighters are now held on a regularly scheduled basis, one each spring and fall. Each session now attracts more than 100 youngsters.

The Gateway.

OHA staff began to manufacture high-quality, custom-made doors, windows and screens for its properties in 1986. Since its inception, the shop had operated in tight quarters in the basement of one of OHA's senior high rise buildings. In the fall of 1991, OHA received a generous donation by the Lozier Corporation of its former office and manufacturing plant, along with a $500,000 grant from the Economic Development Administration and a $300,000 grant from the Peter Kiewit Foundation. The money from both grants was used to renovate the Lozier facility and purchase equipment for the Door and Window Manufacturing Shop and Training Center.

In January of 1992 the manufacturing center was moved to the newly renovated building with its more than 54,000 square feet of space. It was given the name "The Gateway", since OHA considers it the gate leading out of poverty for countless low income residents over the years to come. For in February of 1992 the first of some 20 trainees, all OHA residents, were employed to learn the skills of the manufacturing operation. The Authority plans to convert the operation to tenant ownership within about 10 years.

Partnerships at the Gateway

As plans for the Gateway took shape, so did our vision for an even better future for our residents. Thanks to Metro Community College, an educational center within the facility now offers basic adult education, where individuals may attain their high school equivalency diplomas. College credits may also be earned right on site, and Metro's computer lab is offering basic and advanced courses in the computer industry. The Omaha Police Department's Gang Unit is also located at the Gateway and the skilled trade unions have joined the partnership so that they may provide apprenticeship programs to OHA residents.

Step-Up

The partnerships with Metro Community College and the skilled trade unions helped set the stage for additional programs. In early 1994, OHA started its own "Step-Up" Program. This aggressive training and jobs program aims at providing employment and job training opportunities to public housing residents and other low-income individuals in targeted communities. Classroom work is followed by on-the-job training at OHA maintenance and construction sites. At the end of a year, the students apply for labor trade union apprenticeships. Every new class builds on the successes of those before it. OHA's Step-Up Program is recognized as one of the most successful in the nation.

Focus Omaha

It is clear that Step-Up is not the answer to everyone's employment needs. So, in early 1995, the Authority founded Focus Omaha. In partnership with the Greater Omaha Chamber of Commerce, Creighton University, and Job Training of Greater Omaha, this new program concentrates on developing the skills needed for jobs in the information services industry and the construction trades. An eight-week "Fast Track" program helps prepare students for continuing educational instruction, and a jobs placement component helps put participants to work.

The future for the Gateway is bright; but even brighter is the future for those have a consuming desire to break out of poverty.

Operation Shadow.

Perhaps one of the most innovative steps we have taken to discourage our public housing children from becoming involved in drugs and gangs has been "Operation Shadow." It grew out of three staff task forces formed in the spring of 1989. "We can't wait for the community to do something to protect our young people," said OHA's CEO, "we have to do it ourselves and do it now." The joint recommendation of the task forces was accepted, and Operation Shadow was born.

It is based on the premise that positive role models are most often lacking for public housing youngsters. On the other hand, role models among OHA personnel are in abundance. Accordingly, the Shadow Program pairs up a public housing child (there are no age limits, although generally the shadows range from six to 12 years) with a maintenance or administrative employee. The youngster, then, "shadows" that employee for at least two hours per day as the worker goes about his or her daily duties.

Understandably, Operation Shadow is somewhat curtailed during the months school is in session, but continues on a limited basis nonetheless. When school dismisses for summer vacation, it booms again.

It was heartwarming and encouraging to note that, after summer number one in 1989, many of the same youngsters have returned to shadow the same employee/role model for up to seven consecutive summers.

It might be mentioned that activities of Operation Shadow were not confined to working hours. Many employees took their shadows fishing, to baseball games, to the zoo and on other outings on their own time.

It is too early to assess the long-range success of this program, although we are confident that there have been some very positive changes obvious in its young participants. It is worthy to note, however, that, since the program began, not one of the hundreds of children who have participated has run afoul of the law.

Doesn't the presence of the shadows disrupt your daily work routine? Sure it does, but are we going to get that much more done without that child shadowing us? No. Do the shadows ever become rowdy? Sure they do. They're children. But they are never allowed to be disruptive: They are corrected when they are wrong and praised when they show progress. Then you notice some of the rough edges are suddenly smoothed out. At that point you like to reflect back and think, "I had something to do with that." Is it worth it? You bet it is.

OHA's Family Self Sufficiency Program

The goal of OHA's Family Self-Sufficiency (FSS) Program is evident in its title. This program is not a contract or grant that OHA administers. It is a federally mandated effort which is designed to provide low-income people with the resources they need to leave public assistance. Full-time FSS Coordinators work to secure child care, transportation, vocational training, education and employment opportunities for FSS participants. Staff works with individuals in developing an FSS contract which guides their progress over time. In addition, they work with other agencies to secure the necessary supportive services. The progress of each individual is closely monitored through telephone contact, home visits and visits to the office. There are currently over 100 clients being served through OHA's FSS program.

Contract with Nebraska Department of Social Services

The Omaha Housing Authority's efforts to help residents become self-sufficient took a new direction on June 1, 1995. On that day, OHA signed an agreement with the Nebraska Department of Social Services (NDSS) to annually provide assessment and case management to at least 400 AFDC and Food Stamp recipients who reside in public housing. Residents are being referred to OHA Case Facilitators, who complete an assessment and develop a personalized plan to help those individuals leave the welfare rolls. Through constant follow-up and encouragement, we believe our residents will strongly benefit from this first-of-its-kind partnership.

Linkages Grant

OHA has a strong commitment to its elderly and disabled residents. To better serve this special population, in the fall of 1995 OHA entered into a collaborative agreement with the Region VI Mental Health and Substance Abuse Administration, the Eastern Nebraska Office on Aging (ENOA) and the Creighton/Nebraska Department of Psychiatry. This program, entitled "Linkages", is designed to provide the continuity of care that is needed to promote independent living.

As the name implies, "Linkages" seeks to create a system that addresses every aspect of a resident's life -- from mental health and medical concerns -- to social, vocational and financial needs.

Demolition of Logan Fontenelle Homes

The most significant event in the history of the Omaha Housing Authority occurred with the recent demolition of Logan Fontenelle Homes. The 194 units in the northern half of the development were razed in 1991, while the 194 units in the southern half were torn down in 1995. Unlike other communities which have leveled vacant public housing projects, OHA demolished fully occupied units that had served as homes to public housing residents just weeks earlier. The Logan Fontenelle Homes were not demolished because of their deteriorating physical condition. They were demolished to remove the sense of hopelessness that has consumed public housing residents for decades. All Logan Fontenelle residents were relocated to scattered site single-family homes, duplexes or sixplexes, other public housing developments, or were provided Section 8 assistance. Property that was once a haven for dangerous drug deals and gang activity, will be utilized to provide employment and training opportunities in the future.

Scattered Site Housing Program

OHA residents know they have made a big step on the way up the ladder of self-sufficiency when they move into one of OHA's scattered site homes. With nearly 400 properties in OHA's inventory, the plan is to continue to truly scatter homes throughout the city in equal numbers within the seven City Council Districts. So far in 1995, OHA has purchased more than 20 additional homes. In addition, vacant lots are being purchased where new homes will be built, many by OHA employees and trainees. When the program first began in the early 1980's, there was much controversy as potential neighbors looked upon the program as one which would be sure to lower their property values. Such is not the case nearly 15 years later as the program experiences much success and is looked at as an asset within the community.

Home Ownership

In 1990, the Omaha Housing Authority embarked on a program to provide public housing residents with an opportunity to achieve the American dream -- home ownership. Now in its fifth year, OHA's Home Ownership program provides opportunities for residents who have, over time, become financially stable and capable of taking on the responsibilities of owning their own homes. After residents have reached a certain rent-paying ability, and have participated in training and counseling in areas such as personal finances and home care, they are afforded the opportunity to purchase the single-family home in which they live. OHA does not measure the success of this program by pure numbers, but by the sense of accomplishment and pride that is displayed by the families who have become home owners.

* *

In conclusion, the Omaha Housing Authority is not unique in its ability to provide more than just safe, decent, affordable housing. There are thousands of housing and community development agencies across this country where similar programs are in place. **What we need is adequate funding and a broad, deregulated framework which allows flexibility in program design. With these, I am confident that public housing agencies can continue to be successful in moving people out of poverty and away from the need for public assistance.**

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Testimony of

GREGORY BYRNE

Executive Director
DADE COUNTY DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

and

President
COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES (CLPHA)

On Behalf Of CLPHA

Before The

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING AND FINANCIAL SERVICES

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

2128 Rayburn House Office Building
September 29, 1995

Introduction

Despite years of Congressional amendments and tons of HUD directives, public housing with serious problems persists in some quarters. That Washington does not know best is demonstrated by the sorry state of the social and physical conditions in too many places. The program has been overwhelmed by unfunded mandates, by social roles that belong to others, by micro-targeting, and by a department that too often looks to reports rather than results. The good -- over 90% of the 3250 housing authorities -- perform satisfactorily or better; yet, all are seen through the prism of the failures of the bad -- and the bad have tended to be the same communities for years.

We need a bill that says: let's give local agencies the chance to use their experience and wisdom for a change. In short, let's give meaning to the long-ignored declaration of the Housing Act of 1937: "to vest in local public housing agencies the maximum amount of responsibility in the administration of their housing programs."

The predicates for such a bill, in our members' view, are:

- Recognition that HUD, for all its endless reviews and regulations, has not prevented agencies from functioning poorly in too many communities;

- Washington does not know best -- the accretion of statutes, regulations, handbooks and the like has resulted too frequently in stultifying communities for families, properties that should have been removed years ago, and needless costs of operation;

- Nonetheless, most of the fifteen thousand five hundred seventy-four public housing projects are sound or better, house the poorest family and elderly households non-discriminatorily, and represent a public investment worth $90 billion that should be maintained and improved;

- Local judgment not Washington's should be given its innings -- most PHAs opposed many of the wrong-headed policies that your bill undoes;

- Public housing faces a grave financial crisis and must be freed from costly statutory and regulatory restraints that inhibit PHAs from dealing aggressively with their financial fate if the investment is not to be wasted,

- Housing only the poorest people has become an unfunded mandate under sharply falling federal assistance; and

- More diverse incomes and families will not only help to relieve financial problems, but should produce more dynamic communities for the residents.

Your bill's break with the Housing Act of 1937 is a fresh breeze and, we believe, reflects assumptions similar to ours. In the brief period we have had to review it, we are just beginning to absorb its sweep. Its aims we share; our concern, based on an early draft, is that it not substitute one

heavy-handed regulatory regime with another. (We look on in envy as billions in CDBG and HOME move out each year with only broad objectives monitored. Public housing would like to be approached similarly.)

First of all, we particulary applaud these features of the bill:

- Ending federal preferences and required one-for-one replacements;
- Moving to local rent-setting to increase revenue needed to survive;
- HUD role reduced through a locally-determined plan and an accreditation board;
- Evolving to a block grant system with a multi-year funding commitment;
- Renewed effort to enable PHAs to establish elderly-only buildings;
- Putting deadlines on action to cure troubled PHAs; and
- Overdue merger of certificates and vouchers.

As always, the devil lies in the details. I will discuss some here and hope that we can work further with your staff on others.

I. Troubled PHAs

We were asked to address this issue. There are troubled PHAs and there are troubled projects -- they present different problems.

The latter have been addressed somewhat by the MROP program adopted in the mid-eighties, but now are aggressively addressed in thirty-two cities by HOPE VI established in 1990. It focuses on the "dirty-dozen or dozens" of public housing, drastically reduces densities, mixes incomes, and assists the residents to self-sufficiency. This initiative should continue, perhaps in the Senate's more focused version.

The repeal of the one-for-one replacement requirement will go a long way to ending buildings which it has propped up. The residents' ability to delay demolition of these derelict buildings through their largely illusory right to purchase should be ended. Newark has now been delayed by the five or six remaining families in a horrendous, vacant high rise.

We also look forward to earmarked, incremental section 8 certificates for relocation of residents from obsolete buildings that should be "vouchered out" or for relocation of the non-elderly disabled from buildings designated for elderly-only occupancy.

As you may know, public housing has a backlog of modernization needs of over $25 billion. Aggressive demolitions will address that somewhat. But the fact remains that mod funds at the level of $4 billion or more are needed to keep pace with normal wear and tear and to end the backlog in a decade.

With respect to "dysfunctional" or "troubled" PHAs -- terms that could be improved -- we believe that, after a reasonable opportunity to improve, HUD should take stern steps against the mayor and the PHA board which have allowed bad management to persist. Decent housing and related funds are too scarce to tolerate -- as HUD has historically -- incompetency. HUD should be enabled to withhold or reduce a city's CDBG or HOME funds if management doesn't get better; it should remove the delinquent board members and seek replacements dedicated to hiring competent, professional staff. HUD cannot sit by and watch the installation of directors without qualifications as it has so often done. In many situations, where politics is rife, a court-appointed receiver is the best immediate solution. The problem in the past has not been HUD's lack of power, but its lack of will.

CLPHA worked closely with Senator Bond and others in 1990 in developing the requirements in section 6(j) for a management assessment system and for a statutorily-authorized receiver process and with the Senate Subcommittee this year in tightening those remedies. The professional managers of PHAs lament having the program stigmatized by a handful of incompetent authorities; sadly often the same PHAs year after year.

II. The Plan

The plan should reflect important basics, not be an endless list of this and thats that neither HUD nor anyone else can monitor: (a) what financial resources are available; (b) who can be served; (c) how will they be served between tenant-based and project-based assistance; (d) to what quality will the buildings and grounds be maintained; (e) what significant improvements are planned; (f) what projects are to be removed, and (g) what are the timetables? HUD will do well if it can intelligently monitor that much. Asking it to do more is like asking someone who only recognizes seagulls and pigeons to go bird-watching in an aviary.

The law should recognize that funding for public housing has been cut by over 30% in the rescissions bill and now may face an even lower level in FY96. What we need badly is not elaborate new processes but prompt release from targeting that restricts income, processes that add cost but not benefit, regulations that serve the bureaucracy but not the residents or the PHAs. We have piled up enough unread audits, reports, and responses in HUD to keep them busy for an eon. Don't give them more to read. Evelyn Wood is dead.

Each PHA or HMA should submit an annual plan that describes the mission of the HMA and the goals, objectives and policies employed to meet the housing needs of low income households in their community. The plan should address the basic elements of the HMA's operations based on the financial resources available such as: those to be served; the method for setting rents; the standards of quality for the maintenance and management of properties; the priorities for capital improvements; a plan for dealing with non-viable housing stock; the resources available; and targets for execution.

These essential elements of a public housing plan are well-stated in the bill as introduced. By the way, changes of boards and directors and the inability to project funding so far out make ten-year plan unfeasible.

If HUD, and the public, did an informed review of these items, it would greatly advance the public interest and protect the public fisc. Our experience is that the Department has trouble handling such tasks, because it is busy focusing on the quality of the copiers and not the quality of the units.

III. Accreditation

We are strong believers in the need for a peer accreditation system of public housing such akin to that in the hospital and medical grant fields. It would consist of the most accomplished managers in public housing -- those who know what successful public management is and what it takes to get there; there should be added representation from organizations representing local government, private property management and development, and low income persons who reside or who are eligible to reside in our units. The status of the members should reflect the commission's role of setting standards for 1.4 million units in 3250 PHAs -- a hugely complex piece of work . We have attached hereto as exhibit B, CLPHA's 1983 proposal for an accreditation commission, which Senator D'Amato supported as the subcommittee chair. Unfortunately, it was not enacted because of the opposition of a sister organization.

We do not believe that the commission should be a replica of the HUD bureaucracy. Early drafts of the Subcommittee's bill made us fear that the accreditation board was headed to become another level of approvals in addition to that of HUD, but we are greatly encouraged by your staff to know that your purpose is just the opposite. Namely, accreditiors should periodically make an expert review. If your PHA is found to be performing, it is freed from the customary suffocating and paper-ridden oversight and regulations of HUD; if you aren't, you are told where you must improve or face serious outside control. No endless malingering on the death bed.

We do have concern about the bill's focus on representatives of nonprofits on the board. Nonprofits dealing with family housing have not achieved any special reputation for knowledge about low income housing management -- certainly not on the scale of a large PHA's housing inventory. Most nonprofits entire inventory is little more than the size of a development or two of a PHA. Where the presence of nonprofit representation may be helpful would be from the large religious or fraternal institutions that own and operate thousands of elderly developments.

We believe the bill's language on the relative roles of audit and accreditation in the draft we reviewed needs clarification to avoid duplicative processes. Incidentally, we see no need for the accreditation board to be involved in the selection of thirty three hundred auditors; the board might well set the scope of the audits it desires, but no one has ever suggested anything out of line in the

current practice of PHAs selecting independent auditors whose reports ar e on file and presumably reviewed by HUD. The auditors are subject to the ethics and standards of their profession.

A period of study may be in order in creating such a new powerful new institution. There should be an examination of other accreditation boards where public funds are involved so that their best features can be imitated. Such an enterprise will be costly; an amount and source of funds must be identified.

All in all, we believe the plan/accreditation process in the bill -- with modifications -- could open the prospect for energizing and improving public housing by enlarging local decision-making and responsibility, by curtailing the role of a reduced-size HUD to essentials, by focusing the PHAs on planning for results, and by introducing something the program has always lacked -- an oversight institution of persons knowledgeable about real estate management and development, the accreditation board.

IV. Assurance of Housing for the Poor

It is our view that the underlying public purpose of our program is to assure access to the most housing needy, as well as to low income working families. Consequently, we have proposed that PHAs must use at least 40% of their units for persons with incomes below 30% of median, at least until the operating subsidy falls so low that this is impossible. These are the families for whom wages are not the main part of their income -- to a large degree the elderly and disabled. At present, households in that income range constitute nationally 73% of the households in public housing. Our fear is that without some safeguard for such poor persons, the pressures of funding cuts will tempt some PHAs to disregard them. Our proposal would allow PHAs to use the remaining 60% of their units for households from 30% to 80% of median income without any income caps within those ranges in any building. This overall profile would seem to afford PHAs wide latitude in trying to attract higher rent payers, while not turning our backs totally on the very poor.

No effort to achieve a social and economic mix in public housing will succeed unless this bill expressly provides that an authority can re-do the existing waiting lists, developed under the federal preferences, pursuant to local preferences now to be adopted.

V. Rent-setting

The ability for a housing authority to set flat rents, varied by type, size and location of its buildings is very necessary in order increase rent revenues to make up for the sharp reductions in subsidies in FY96 and that have already occurred in FY94 and FY95. We must have a revenue stream to maintain the properties. Our only qualification is that the rents for those under 30% of

median should have an affordability standard and we suggest maintaining the current system of 30% of adjusted income.

VI. The Block Grant Proposal

We recommend that there be two funds for public housing: an operating fund and a capital fund, to be distributed under the existing formula for the Performance Funding System and for Comprehensive Grants (modernization) until new formulae can be devised. Our reasons are that only by keeping the operating subsidies separate can it be determined what income levels public housing should be serving. Income eligibility should change over time as the operating funds increased or decreased. Moreover, there is a danger that poor managers could dissipate an agency's capital by making up for poor operational management by excessive use of funds that are necessary for the modernization of stock. We think that the Senate bill makes a good arrangement: two funds with limited fungibility in the capital fund. Homeownership financing should not be an eligible activity for the block grant fund, as permitted in section 203(a)(5), given the critical shortage of funds to operate and maintain the existing inventory. The HOME program and, to some degree, the CDBG program -- both well-funded -- are available for this purpose. Section 204(d)(2)(A) unduly restricts the use of the grant during the transition period to 50% for capital purposes. That allocation may be fine at higher levels of funding but it is too restrictive in our current crimped condition.

By the way, speaking of funding, we strongly believe that the proceeds from the disposition of a public housing project belong to the PHA and should be used only for housing purposes. While we applaud your concern for markets and other commercial facilities convenient to the residents, they should be developed with funds from non-housing programs, such as Small Business Administration, CDBG, or other pertinent pots.

The flexibility that you have provided for use of public housing grant funds in mixed income/public-private partnership is most welcome. Many PHAs are struggling under present law and regulation to join up with private sponsors to recreate derelict projects into new mixed income, privately-managed developments that raise a neighborhood while offering new choices for renters.

VII. Elderly-Only Communities

PHAs must be enabled to provide our elderly residents the same choice that are afforded non-poor senior citizens -- namely, the choice to live among themselves and not to be forced to live with young persons, particularly with young persons who have just emerged from mental institutions or who are coping with recovering from drug and alcohol rehabilitation.

We do not seek to displace any current non-elderly disabled residents, but we cannot guarantee them or their advocates that they will always have the same proportion of an authority's

units after a building is designated for the elderly. We urge earmarked section 8 certificates for the non-elderly mentally disabled; that is what they want and that will best serve their needs. We do not believe the provisions in your bill are adequate to rectify this long-festering problem of mixed populations in elderly buildings. Remember: the elderly are already living with 30% of their contemporaries who have one mental disability or another.

VIII. Authorization levels

No amount of "reform" can make up for underfunding that can be compensated for by better management, reduced regulation, and increased rents. Fine policy declarations do not pay bills. In FY95, public housing was reduced from $8+ billion to $5 billion, more than any other domestic program with ongoing obligations -- namely, housing 3.4 million very poor residents. This year in the House we face similar inadequate levels -- and we urge you as the chair of this most important housing committee to plead our case and urge adoption of the more supportive Senate appropriations levels for FY96. Under the best of circumstances, we are asked to take a 15% cut in operating subsidies -- a 24% cut in the House bill. This all falls on the 60% of a PHA's budget that isn't for utilities. These cuts take place before any regulatory changes. The impacts will be on the 40% of our units that are for the elderly, on the 15% of our units occupied by the disabled, and on the close to a million children who live with us. There is no other way to put it. Our request is for $3 billion in capital, $3 billion in operating funds, and $500 million for major reconstruction needs guaranteed over a five-year period -- which yield savings of $11 billion over five years.

We want to run the same first-class program that your bill calls for, but we all must recognize that all the reforms in the world won't make up for the loss of $3 billion in appropriations. The bill should recognize that performance, to some degree, depends on appropriations. No one knows at all how much and how quickly higher rent-paying tenants can be attracted, especially since the funds to make our developments more marketable have been cut so.

Conclusion

Mr. Lazio, you, the Subcommittee, and your staff have undertaken an enormous task in replacing the 1937 Housing Act in toto and we salute you. We endorse the concepts of the new version and hope that we can work together with you and your staff to bring your vision closer to fruition by contributions that we believe that we can make to what has been so ably launched.

Date: September 29, 1995

Sub-Committee: On Housing and Community Opportunity of the
Committee on Banking and Financial Services
104th Congress B-303 Rayburn House Office Building
Washington D.C. 20616

Speaker: Mrs. Bertha Gilkey, President Cochran Tenant Management
Corporation, Saint Louis Missouri 63101

Dear Congressman,

Chairman Lazio, and committee members. My name is Bertha Gilkey. I am President of Cochran Tenant Management Corporation(RMC/TMC) a high rise public housing complex located downtown in the City of St. Louis, Missouri six (6) blocks from the "infamous Puritt Igo" that was blown up in 1972. Cochran was scheduled to be blown up in 1973 due to the high vacancy, drug dealing, deplorable physical conditions of the buildings and open shooting and gang activities. The Saint Louis Housing Authority did not know who was living in Cochran legally they only controlled the federal dollars given to administer the management of the site. It was the gangs who were really in charge of Cochran.

Cochran Tenant Management (CTMC) residents have managed the site since 1976 under the guidence of a Duly Elected Resident Board of Directors who contract with (SLHA) Saint Louis Housing Authority. Today, Cochran Gardens provides the newly revitalized downtown economic entities with a hard working low and moderate income workforce that (19) years ago was non-existent due to the lack of job opportunities for unskilled workers, an the criminal activities that existed in Cochran under the St. Louis

Housing Authority Management. However, today Cochran Gardens is a part of a Partnership of economic entities of the downtown area that now encompass the following:

* A 250 Million dollar Superdome Stadium
* A 75 Million dollar Convention Center
* (10) Ten Newly built Hotels
* 125 Million dollar Saint Louis Center Mall With 200 Stores
* Expansion of Kiel Auditorium
* 1000 Units of newly built Market Rate Housing
* 1000 units of newly built condo's selling at $90,00 to 160,000 per unit
* Redevelopment of St. Louis RiverFront
* Newly Built Schnucks Supermarket
* Newly Built AT&T Building

I appreciate this opportunity to share my views hopefully on your committee reinstating 15 million dollars back into the RMTAG TOP/TAG funds which are crucial to the birth of Resident Councils and the Survival of RMC's and TMC's that struggle to "reclaims their crime infested Public Housing developments as Cochran Tenant management did in 1976. A Resident Councils ability to function and communicate the problems that exist in their community are only effective if the residents have an Autonomous Economic Base to provide Training which is key, and if Public Housing Authorities see them not as a threat or as competition which is usually the case, but rather as a partner to resolving long standing issues in the complex.

The RMTAG and TOP/TAG legislation represents the birth of Changes, Choices, and Alternatives from traditional PHA's which is Resident Participation:

Resident Management Corporations that resolve the problems of their particular public housing site and expose serve management deficiencies.

The TOP/TAG and RMTAG Grant funds are necessary because it provides residents of public housing who want to address the long standing issues of bad public housing authorities with an independent source of revenue that is not at the discretion of bad Public Housing Authorities.

Resident Councils fail to achieve Resident Management of their crime infested development all across the country because bad PHA's Limit, Intimidate, and Control the funds available to Resident Organizations for training and technical assistance. Resident Councils who have their own autonomous economic base become less afraid to speak out against injustice, poor management, and the often squalid and dilapidated conditions they are forced to live in. The potential to develop real leadership in Public Housing is directly tied to and organizations ability to:

1. Pay for the training duly Elected Resident Councils and RMC's will use to establish Resident committees and groups whose function is to provide a system to residents and make them accountable and responsible to maintain community standards which are decent safe and sanitary housing for low and moderate income people.

2. Use these newly developed systems paid for by RMTAG and TOP/TAG to identify problems in their site.

3. Develop real solutions and systems with PHA's after addressing their existing Management Deficiencies without fear of reprisals from the PHA's.

4. Finally to incorporate, negotiate and enter into a property and management contract themselves and become and Alternative to the Public Housing Authorities and manage their own sites.

This piece of legislation is fundamental in developing Resident Participation all across the country. Public Housing Residents want to improve their quality of life, become independent, and self reliant. However in order to become independent Resident Councils eventually expose what their PHA's are not doing, which ultimately puts them at odds with the very agency that controls their funds. By enacting this piece of legislation your committee would recognize that if Residents are a part of the problem they must be included in any solution that requires their direct participation. Also you are giving Residents a vehicle to go from being managed to becoming managers. Finally and most importantly you would recognize that the current system in place punishes residents that expose PHA's inability to manage, and make funds available for the birth of a system designed by the very residents for which the systems must serve.

RMTAG and TOP/TAG are responsible for the following opportunities:

1. Job Training (1,971) residents have been hired since 1988 first awarded RMTAG/ and TOP/TAG have been awarded. (Building Maintenance and Repair, Computer Programming/Word Processing, GED, Job Interview Skills, Brick Laying, and Child Care Training, and finally Micro-Enterprise.

2. Economic Development (1,824) new jobs have been created as a result of the expenditure of RMTAG and TOP/TAG funds since 1988. Types of Jobs created: (General Carpentry, Administrative, Child-care Providers, Security, Computer Systems Operation, Management, Entrepreneurship, Community Planning Outreach, and Health Care Providers.

3. Resident Owned Businesses (132) Resident Owned Businesses have been created. Some include the following: (Landscaping, Property Management, Child care services, Grocery Stores, Laundromat facilities, food delivery, and catering services

The enactment of this legislation will determine how residents meet the challenges to their communities economic, and social survival. The RMTAG and TOP/TAG funds are like an incubator system for Resident Councils. With training, leadership, and enpowerment these grassroots organizations ran by public housing residents will provide Congress with an alternative that is different than the current system available.

Economic Development, Job Training, Child-care, along with Regulation 963, and 964 allow Residents an opportunity to empower themselves, employ themselves, and improve the quality of life they live. However, I must address the House Appropriations Committee Bill that suspended the Brooke Amendment in public housing which has capped tenant rent contributions since 1969. The Impact of the proposed Rent Increase Suspensions (even for one year) will impact severely the low income families residing in public housing.

The Bill forces PHAs to raise rents, requires a minimum rent charge, an allows PHAs the option of setting it in three ways:

1. 32% of a particular state's AFDC benefit (for families) or SSI Benefit (for individuals);

2. A $50 plus utilities minimum rent;

3. An amount based upon a presumed 30 hour work week at the Federal Minimum Wage Rate.

Recently, at a residents' advisory meeting, residents were asked to complete a survey form to see how the proposed changes would affect their rent. The results are listed below as case studies.

Rosemary is single with 3 children and receives AFDC. She currently pays $109 to the PHA each month for rent. In addition, she pays her own electric utility expenses. The PHA's utility allowance for Rosemary's unit is $29.

Looking at Rosemary's situation under the proposed changes, she would not be affected by the minimum rent, nor the presumed 30 hour work week at minimum wage. She is affected, greatly by the 32% of AFDC.

CASE STUDY A

CURRENT REGULATIONS		PROPOSED INCREASE 32% PLUS UTILITIES	
ANNUAL INCOME	6468	6468	
GROSS MO. INC.	539	539	
DEPNDNT DED.(2)	960	960	
MO. ADJ. INC.	459	459	
30% - TTP	138	147	(9)
UTILITY ALL.	29	*75	(46)
TENANT RENT	**109**	**222**	**(113)**

*Actual monthly payments for electricity only.

This resident's rent will increase by 49 percent, primarily due to the actual cost of utilities, not reflected in the utility allowances.

The actual percentage of income for rent is 48 percent.

IMPUTED MINIMUM RENT

Ann is a working single mother of 3. She actually works 30 hours a week at the minimum wage rate. Ann's rent will increase by 120 percent, primarily due to the actual cost of utilities, not reflected in the utility allowances.

Due to the changes in the rent formula the actual percentage of income for rent and utilities is 62 percent.

What is not taken into consideration, and does not show up in the equation are:

- Federal, State, FICA taxes in taxes;
- Medical Insurance Premimum (not supplied by employer;
- Child care expenses.

This family will pay $4308 in rent a year, which leaves $2892, or $241 a month minus the above expenses.

CASE STUDY B

CURRENT REGULATIONS		PROPOSED INCREASE 32% PLUS UTILITIES	
ANNUAL INCOME	7200	7200	
GROSS MO. INC.	600	600	
DEPNDNT DED.(3)	1440	1440	
MO. ADJ. INC.	480	480	
30% - TTP	144	154	(10)
UTILITY ALL.	141	205*	(64)
TENANT RENT	3	359	(356)

*Actual monthly payments for electricity and gas.

$50 minimum plus utilities

ANY INDIVIDUAL OR FAMILY STRUGGLING TO SURVIVE ON INCOMES AT OR BELOW THE POVERTY LEVEL WILL BE THE MOST DEVASTATED BY THE PROPOSED CHANGES IN THE RENT FORMULAS. THIS IS OUTLINED BELOW:

CASE STUDY C

CURRENT REGULATIONS		PROPOSED INCREASE OF 32% PLUS UTILITIES
ANNUAL INCOME	864	864
GROSS MO. INC.	72	72
DEPNDNT. DEC.	0	0
MO. ADJ. INC.	72	72
30% - TTP	22	23

REQUIRING THIS RESIDENT TO PAY A MINIMUM RENT OF $50, WOULD LEAVE A $22 BALANCE FOR UTILITIES AND OTHER LIVING EXPENSES. THE ADDITIONAL COST OF UTILITIES WOULD DEPLETE THE REST OF HER MONTHLY INCOME, CATAPULTING THIS INDIVIDUAL, FURTHER, INTO THE PHENOMENON OF POVERTY AND MOSTLY DESPAIR.

CHANGES IN THE RENT FORMULAS WOULD BE DISASTROUS FOR THIS INDIVIDUAL.

CASE STUDY D

CURRENT REGULATIONS		PROPOSED INCREASE 32% PLUS UTILITIES
ANNUAL INCOME	12,000	12,000
GROSS MO. INC.	1,000	1,000
DEPNDNT DED.(4)	1,920	1,920
MO. ADJ. INC.	840	840
30% - TTP	252	269 (17)
UTILITY ALL.	141	205 (64)
TENANT RENT	111	474 (363)

*Actual monthly payments for electricity and gas.

This represents a 23 percent increase in rent.

Actual percentage of income for rent is 56 percent.

By supporting the suspension of the Brook Amendment you are forever trapping public housing residents and senior citizens who also live in public housing and will be trapped on fixed incomes and who have paid their dues in the past, but now will also be trapped in an ever ending cycle of entrapment, isolation, and impoverishment.

In conclusion, this Bill wipes out all regulations as obsolete documents without considering their merit. Part 964 offers the structure for the activities, resident management etc. Part 963 offers opportunities for resident business growth by permitting competition solely among resident businesses. Current regulations should be reviewed by an the advisory committee before being elminated.

There is a need to designate an appropriate percentage of both capital and operating funding to empowerment/self-sufficiency activities. This is particularly critical in times when funding is being reduced. The large percentage of housing authorities will focus purely on hardware rather than tenant initiatives.

The bill should require performance standards specifically related to economic lift. Initiatives such as the university learning initiatives should be fostered.

There is a need to continue the family investment center program as an intitiative that was just started. It is noted the Senate appropriations bill added $80 million for a resident self-sufficiency program. This program is generally the same as the FIC Program and should be continues. There is a critical need for residents to be on the advisory committee but also on the board on commissioners. I recommend at a policy of at least one member or 25% of the board tenant commissioners, whichever is greater.

Sincerely,

Bertha Gilkey
President Cochran Tenant Management

Economic Development Results

Jobs: One thousand eigth hundred twenty-four (1,237) new jobs have been created as a result of the expenditure of RMTAG and TOP/TAG funds since 1988. This figure represents an average of almost eight jobs per grant. The types of jobs created include: general carpentry, administrative, child care providers, security, computer/systems operation, property management, business management/entrepreneurship, community planning and outreach, and health care providers. For example...

- Seventy-five members of the Harriet Tubman Resident Association (TN) have secured employment as a result of the partnership between the local Private Industry Council (PIC) and the resident association.

- Twenty-two residents of the T.B. Watkins RMC have been employed by the Kansas City Housing Authority as property managers, groundskeepers. and housing rehabilitation workers.

Resident-Owned Businesses

One hundred thorty-two resident-owned businesses have been created. Some include the following: landscaping, property management, child care services, grocery stores. Laundromat facilities. food delivery, and catering services. The following resident organization has been successful in its efforts to establish resident-owned businesses:

- Fifteen residents of the Yazoo City Housing Resident Council have graduated from a community action agency sponsored micro-enterprise job training program. All fifteen have begun their own businesses in the following areas: shoeshine. barber, handcraft, day care, clothes, trucking. birthday events. and a candy shop. The job training program lasted 9 hours a week for 4 weeks.

- Four members of the Passyumk Homes Tenant Council (PA) work for a resident-owned thrift shop. In addition, two persons have secured a contract with the housing authority to repair roofs in the community.

August 31, 1995

Monetary Results

- 235 Resident Organizations awarded HUD-assistance via RMTAG and/or TOP/TAG have been surveyed.
- A total of $11,951,827 has been awarded to the 235 Resident Organizations surveyed
- Of the $11,951,827 awarded, $6,434,678 (54%) have actually been expended

Grant Requirement Results

Fund Expenditures

- In FY 1988, surveyed grantees expended an average of 73% of their allocated funds 1989 grantees reported an average expenditure of 63% 1990 grantees' average was 51%, 1991 grantees' average was 63%, 1992 grantees' average was 36%, and 1993 grantees' average was 24%

Other Grant Requirements

- Of the 235 grantees surveyed, 68% have acquired the services of a certified CPA to establish financial management systems Eighty-three percent (83%) have established By-Laws that meet HUD's guidelines. One hundred fifty-eight resident organizations have signed a Memorandum of Understanding with their local housing authorities Seventy-one percent (71%) have hired trained consultants to help implement their work plans Seventy percent (70%) have completed financial management training Seventy-three (73%) have completed capacity training Sixty-five percent (65%) have completed needs assessments for their communities Seventy-three percent (73%) have incorporated Fifty-nine percent (59%) have achieved 501(c)(3) status Seventy-six percent (76%) are fully trained and operational

Job Training Results

One thousand nine hundred seventy-one (1,971) residents have benefited from job training offered by various resident organizations. Training has been offered in the following areas: building maintenance and repair, clerical, computer programming/word processing, job/interview skills, GED, brick-laying, micro-enterprise, and child care training. Good examples of job training programs have been reported by the following resident organizations:

- The residents of the City Wide Resident Management Corporation in Phoenix, Arizona assisted in the recruitment of eighty Step-Up participants. The participants were trained in maintenance, education, recreation, city operations, and clerical support. Sixty residents received employment.

- Twenty-five residents of the Wakah Indian Housing Authority Resident Council have been trained in the areas of financial management, grant administration, and computer training. Twelve of the twenty-five have secured employment as a result of their training. Furthermore, housing authority officials report that vacancy rates have reduced, and residents have formed a neighborhood watch program to combat crime.

- A Training and Employment program has been implemented by the Grandview Resident Council (WA) and the Everett Housing Authority. Ten of the thirteen residents that graduated from the program were hired by local contractors.

- The Roseland Homes Resident Management Council in Dallas, Texas has begun its Block Workers Program. Fifty residents have acquired trash removal and lawn care skills. Fifteen have already gained employment.

- For residents who are not employed, College Hill RMC sponsors four training programs: brick-laying (Therma-Brick© sponsored training program), computer programming, painting, and job readiness/interview skills. Twelve College Hill residents gained employment upon completion of one or more of these training programs.

- The Buffalo Public Housing Resident Council has reported the highest number of trained residents thus far. In conjunction with the Volunteers In Service To America (VISTA) program and local job fairs, four-hundred residents have received training in: landscaping, child care, and GED preparation. Twelve residents gained employment after completion of the training.

- In Cleveland, lead-based paint abatement training is sponsored by the Valleyview Tenant Management Corporation. Thirty residents are gainfully employed as a result of this, and two other training courses offered by the TMC.

- The Erie Tenant Council, a 1990 RMTAG recipient, has utilized its funds to sponsor a

Step-Up apprenticeship training program in conjunction with their local housing authority Upon completion of the training program, eight of the twenty participants were able to secure employment.

Supportive Services Results

- Results indicate that over 21,520 persons have directly benefited from supportive service programs implemented by the resident organizations surveyed thus far This number does not include the members of the community at large who have benefitted.

Summary Results

- The average cost of creating one job under the RMTAG and TOP/TAG program was no more than $3,527.78. This number was achieved by dividing the total amount of funds spent ($6,434,678) by the total number of jobs created (1,824)

- The average cost of training an individual according to survey results was no more than $3,264.68. This number was achieved by dividing the total amount of funds spent ($6,434,678) by the total number of persons trained (1,971).

- The average cost of providing supportive services to public housing communities which have received RMTAG and/or TOP/TAG funding was no more than $299.01. This number was achieved by dividing the total amount of funds spent ($6,484,678) by the number of those know to have participated in a supportive service program in their community (21,520).

Arizona

Beginning in 1990, resident organizations have been funded under TOP. To date, 16 jobs have been created and 17 residents have received job training. In addition, another 47 residents have been assisted through social support programs.

Arkansas

Since 1993, resident organizations have been awarded TOP funding. These funds have led to the creation of 8 jobs and management contracts in the areas of lawn care, cleaning. and tansportation.

Florida

The Tenant Opportunity Program has been vital in stimluating economic activity amoung resident organizations in Florida. Four small businesses have been created. including a laundromat. an advdertising agency, a cafeteria operation, and a day care facility. Job training in the areas of maintenence, foreign language instruction, financial management. child care. drug elimination, lawn care, cosmetlogy, administrative, and computer literacy have benefited 155 residents. Supportive services such as pre-natal care. home day care. medical awareness (diabetes, glaucoma, mental illness), and drug treatment have been made available and have currently helped over 500 residents. TOP has also led to the creation of 141 jobs for residents.

Illinois

TOP funds have made it possible for resident organizations to establish two resident owned businesses. a candy store, a laundromat and management contracts with the Housing Authority for property which has resulted in employment opportunities for the residents. In addition to this, over 7,000 residents have benefitted from social support activities such as day care, mental health services, recreation activities, and increased security measures. Job training in the areas of maintenence, computer literacy. and landscaping has been provided to 38 residents. Also, TOP has provided for the creation of 46 jobs for residents.

Iowa

TOP has led to the creation of 11 new jobs for residents. TOP funds are also being used to support business management training for residents and to provide supportive services including child care and as tuition supplements.

One hundred and fifteen jobs have been created in the areas of: apprenticeships in plaster, painting, construction, landscaping, tenant patrols, and resident management training. Training programs for apprenticeships in plaster and paint programs, tenant patrols, apartment renovation have assisted almost 100 residents. Also, 715 residents have benefitted from supportive service programs such as drug elimination, parenting, day care, substance abuse and awareness, and adult education.

New York

The Tenant Opportnity Program has allowed for over 400 residents to receive job training through job fairs and for the creation of 22 jobs. Another 400 residents have benefitted from TOP through the provision of supportive service efforts such as a women's support group and home health care.

Ohio

TOP has enabled 30 resident to be trianed in the areas of maintenence, financial management, lead based paint containment, resident management, and computer operations. Twenty seven jobs have been created due to TOP and a resident owned painting company has been established.

Oklahoma

Resident organizations in Oklahoma have used their TOP funding to assist almost 200 residents by providing a food bank and clothing closet. Two resident owned businesses have been started and two jobs have been createda as a result of the Tenant Opportunity Program.

Pennsylvania

The resident organizations of Pennsylvania who received TOP funding have been very successful in their efforts. Twenty two small businesses have been created, including a thrift shop, two laundromats, a catering service, a landscaping operation, a printing service, a grocery store and property management contracts at several public housing developments which has created job opportunities for many residents. One hundred and eighty jobs have been created and 135 residents have received job training in financial management, construction trades, child care, nursing, computer skills, and administrative skills. Also, over 1,300 residents have been assisted through social service programs such as child care, drug awareness, substance abuse, adult education, children's recreational services, career counseling, and parenting seminars.

South Carolina

The TOP program has led to establishment of 12 small residnet owned businesses. Nineteen new jobs have been created and 8 residents have been trained in the areas of grounds maintenence and cleaning.

East Elevation/Ninth Street

Cochran Retail Center

Project # 02195-001
Date. July 14, 1995

TESTIMONY OF

CHRISTINE M.J. OLIVER

CHAIRMAN
NATIONAL HOUSING CONFERENCE

AND

PRESIDENT AND CEO
CHICAGO DWELLINGS ASSOCIATION

BEFORE THE
HOUSE SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

FRIDAY, SEPTEMBER 29, 1995

Mr. Chairman, my name is Christine M.J. Oliver, Chairman of the Board of the National Housing Conference (NHC) -- the nation's oldest bipartisan, nonprofit, affordable housing advocacy organization. Founded in 1931, NHC is a coalition of national housing leaders from the public and private sectors, including state and local government officials, community development specialists, builders, bankers, labor leaders, lawyers, architects and planners, and religious leaders.

I am also President and Chief Executive Officer of the Chicago Dwellings Association (CDA). Founded in 1948, CDA is the oldest nonprofit affordable housing developer and manager in the City of Chicago and one of the oldest in the nation.

Mr. Chairman, I am grateful for this opportunity to testify before you and your subcommittee today on your proposed "United States Housing Act of 1995" -- especially as it relates to the issues of public and mixed income housing.

Let me preface my remarks to indicate that they are largely based on the draft of your legislation that was available to me through Wednesday, as well as telephone conversations I have had with your staff during the last several days. However, the final version of your bill, formally introduced as H.R. 2406, only become available to me and to the rest of the public yesterday. Once I have reviewed H.R. 2406 in its present form, I will supplement this morning's testimony in order to take into account any changes you and your staff made to the bill between its draft version and the version that was formally introduced.

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The history of federal housing policy in America is one of lessons learned, learned from the hardship of poor, elderly and working class Americans who lost their homes during the Great Depression and are today still unable to find affordable housing despite their best efforts without the support of federal programs. These Americans cannot be left to the mercy of cash-strapped state and local agencies or a totally free marketplace in order to secure a place to call home -- from which all else follows: self-esteem, better educational and employment opportunities and better lives for the next generation.

Nationally, roughly 1.4 million units of public housing exist in this country today because of the enactment of the United States Housing Act of 1937. Of the 3,308 public housing authorities in the nation, only 91-- or less than 3% -- are considered "troubled" by any objective criteria, a very small percentage.

And public housing is not the only program that is covered by the 1937 Act. For example, nearly 1,000,000 units of affordable housing have been built by private firms under Section 8(a) of the Public Housing Act of 1937. Over 1.5 million tenant-based rental certificates and vouchers have been made available to low income Americans under Sections 8(b) and 8(o) of the 1937 Act.

According to a report by the General Accounting Office, all of the Section 8 rental assistance programs, project-based and tenant-based, "allow about 2.8 million lower income households to obtain decent and affordable housing from private owners."

Federal law has also provided affordable housing through the Internal Revenue Code. Through 1994, 740,000 units of housing for low income families have been developed through the Low Income Housing Tax Credit. The Tax Credit program is one of the last federal programs available to facilitate the private development of low income housing, with roughly 100,000 additional units developed through that program each year. Should Congress take the lead of your colleagues on the Ways and Means Committee and sunset the Low Income Housing Tax Credit after 1997, that would be a crippling blow to making safe, decent and sanitary housing available to all families who need it.

Section 2 of the 1937 Act states that "[i]t is the policy of the United States to promote the general welfare of the Nation by employing its funds and credit...to remedy the unsafe and unsanitary housing conditions and acute shortage of decent, safe and sanitary dwellings for families of lower income." That policy was echoed in the Housing Act of 1949 as well.

These problems have not gone away. At the time of the 1990 census, there were 32 million renter households in the United States. Of that number, 14 million either paid more than half of their monthly income in rent or lived in overcrowded conditions -- 88% of whom had household incomes at or below 80% of median <u>and</u> 67% of whom had incomes at or below 50% of median. This number will increase geometrically over the next five years as over nine million new immigrants enter the country.

The shortage of safe, decent and affordable housing in this country is a problem that is more serious now than it has ever been. Neither the fiscal realities of the federal budget, nor ideological considerations, can allow us to ignore this fact.

Mr. Chairman, you are to be commended for directing your staff to consider new approaches to dealing with the nation's severe housing problems. However, the National Housing Conference is concerned lest your bold attempt to bring housing policy into the 21st century results in the loss of important precepts that have guided the last 65 years.

As you know, your bill repeals in its entirety the United States Housing Act of 1937 as well as other significant statutes that are the foundation of modern housing policy. We urge you to move slowly as you contemplate the fundamental changes proposed in your bill, for much good has been accomplished over the last six and one-half decades.

Before turning to H.R. 2406 and some of the mixed income housing experiences I can share with you, I think we should briefly review the larger context in which we are operating. The proposed Housing and Community Development Act of 1994 passed the House of Representatives by a wide margin last year and a companion bill passed the Senate Banking Committee with broad bipartisan support. However, the full Senate failed to consider the measure, and Congress adjourned without enacting many of the important changes in housing

law that were part of that bill -- changes that would have preserved what was good about present housing policy while pursuing needed revisions where change was appropriate. After the November Congressional elections, the Clinton Administration proposed a wholesale "reinvention" of the programs of the Department of Housing and Urban Development, including, after a transition period, forcing all public housing to compete in the private marketplace for residents and radically changing the whole financial structure of projects developed under the project-based Section 8 program -- the so-called "mark-to-market" strategy.

Rapid and dramatic implementation of the reinvention scheme would cause massive tenant displacement, deterioration of privately-owned assisted housing and ultimately defaults and enormous losses to the FHA insurance funds. All year, the National Housing Conference has called for more deliberative action, including a short-term extension of project-based Section 8 contracts and an exploration of the "mark-to-market" strategy on a demonstration basis to test its feasibility. NHC is hopeful that this more limited approach will prevail when the Fiscal Year 1996 VA, HUD appropriations bill is finalized over the next few weeks.

Mr. Chairman, having made these introductory comments, let me add that the hard work that has gone into the preparation of H.R. 2406 should not be underestimated. You and your staff are to be congratulated for working to develop an innovative, comprehensive alternative to many of the current federal

housing programs. Your bill provides needed increased flexibility at the local level, and also provides increased choice in residency for families receiving assistance.

As I read the draft version of your bill, certain observations came to mind. You continue to use the term "public housing" although the bill throughout stresses communities, including mixed income communities. I would respectfully suggest that you might therefore want to describe what your bill now calls "public housing" as neighborhood housing or community housing. Such a change would also be consistent with your use of the term "community improvement plans" later in the bill, and would help to diffuse the negative connotation that is associated with the term "public housing."

Any community work or family self-sufficiency requirement in your bill must be carefully crafted. It must provide the financial resources for meaningful job training programs for individuals needing such training; it should not be a "make-work" requirement, but a serious program for tenants in public and assisted housing to develop job skills that are relevant to the private marketplace so they may be employed in viable jobs.

On another matter, your bill provides that resident organizations be given the right of first refusal before disposing of a public housing development to another purchaser, presumably without exception. As you know, present law provides HUD with the ability to permit discretion in this area. There are

circumstances when this right of first refusal should not be absolute, so long as the housing was being conveyed to a purchaser who would retain it as affordable housing. We would urge you to assure that such flexibility is retained in your bill as the legislative process goes forward.

Title III of your bill, which would in effect replace the Section 8 programs in existing law, provides for grants to local housing and management authorities for one year at a time. Given federal budgetary constraints, contracts of such limited duration may be defensible, but we respectfully suggest that they are far too short from an administrative standpoint and further, they are far too short for housing providers and residents. It is extremely hard to see how housing availability can be assured when federal assistance can be assured for only one year at a time. No one would know with confidence whether a grant would be renewed beyond that short period of time; the degree of uncertainty among residents and housing providers would be substantial.

Your bill appears to repeal the Brooke Amendment by giving an extraordinary amount of discretion to local housing and management authorities to set the maximum tenant rental contribution. We strongly urge you to reconsider that proposal. Left unchanged, this provision of H.R. 2406 would run the risk of permitting wide variability in the degree of fairness with which low income people would be treated.

We would also like to respectfully caution you as to the composition of the Housing Foundation and Accreditation Board. A great deal of technical expertise among its members is essential. I respectfully suggest that the requirements you presently set forth as to background and experience should be strengthened. Additionally, an individual representing the concerns of elderly Americans should be included on the Board.

Mr. Chairman, I was invited here today to share with the subcommittee my experiences with mixed income housing -- in particular, how public housing authorities can leverage their funds with other resources to provide clean, safe homes for low income Americans and how living in a mixed income environment can affect low income families. I am grateful to have this opportunity to discuss an issue which I have worked with for the last six years.

As we are all aware, it has become painfully apparent that in order to address the problems of our deteriorating and underserved inner city communities, we must find a way to break the cycle of poverty. To truly address the problems of our urban areas, we must confront the causes, not just the symptoms. We must remove disincentives to work. We must break the cycle of dependency by offering opportunity. And we must all learn that the cost of opportunity is responsibility.

To accomplish this we must find a way to address the chronic isolation of the poor from the mainstream of society. Among the many successes of past

housing policies, one glaring failure was the warehousing of poor families in highly impacted communities. As a nation we can neither figuratively nor literally afford to continue stacking poor people on top of poor people. It is clear that in order to fulfill the promise of providing secure, well-maintained housing, many of our public housing communities must undergo a substantial transformation.

Necessary for the stabilization of these communities is a return to social and economic diversity in the resident population. Public housing must return to one of its most important original purposes: providing transitional housing to the working poor as well as the non-working poor. We must provide housing that poor people can live in, rather than creating housing for poor people. Creating mixed income housing is one way to accomplish this.

My direct experience with mixed income housing in Chicago has been predominately related to the work which I have been doing since 1989 with a program called the Mixed Income New Communities Strategy, or MINCS. The MINCS demonstration program was enacted as part of the Cranston-Gonzalez National Affordable Housing Act of 1990. As it happened, I was responsible for crafting the program and then worked with Congress in passing the program as part of the 1990 Act. MINCS was adopted with strong bipartisan support, in recognition of the sound principals which it espoused. It was the first and only time in my fifteen years of legislative and housing experience that Congress, HUD and OMB found something they could agree on.

Much to my chagrin, it is my understanding that H.R. 2406 repeals the enabling legislation for MINCS. However, being an unabashed optimist, I have decided to snatch victory from the jaws of defeat and declare success. Therefore I am delighted that the programmatic components and policy objectives of MINCS are interwoven into your bill -- in effect, reflecting your intention to make mixed income housing developments possible on a national scale. I am therefore hopeful that the years of hard work on the part of so many advocates has paid off -- and that the concept of mixed income housing has come of age. I must sincerely commend you for having the vision to propose bold innovative programs, such as mixed income housing, that hold the promise of truly reversing the downward spiral of our most distressed inner city communities and bringing hope and economic opportunity to their residents.

Demonstration programs often represent some of the most innovative ideas for addressing hard to solve problems. As such, they often embody notable and worthy concepts which should not be lost. Therefore, I would like to direct the subcommittee's attention to the MINCS precepts.

MINCS is an innovative national model for community revitalization which was developed to create healthy, stable, socio-economically mixed communities which accommodate rather than isolate non-working poor families. It was conceived out of the need to correct the failed policies of the past which warehoused poor people in large public housing developments and isolated them from the physical and social mainstream.

The strategy employed by MINCS was to design a program which would not only change the nature of hard-to-develop communities in which public housing is located, but would also address the problems which are often endemic to public housing itself.

And it is working in Chicago. MINCS has been implemented at the Lake Parc Place public housing development on Chicago's near south side and is in the process of being implemented at Cabrini Green and the neighboring Orchard Park Townhomes, a private townhome community which CDA is currently developing. MINCS is designed to expand the supply of affordable housing and create new economic opportunities and incentives for low and moderate income families.

The goals of MINCS are to:

- Return public housing to one of its most important purposes of providing transitional housing to the working poor and a springboard to economic opportunity to the non-working poor;
- Encourage the economic advancement of low income families and their eventual transition out of public housing through a program of new housing opportunities and supportive services; and
- Develop new affordable mixed income housing in communities surrounding existing public housing developments (four new units of affordable housing are created for each existing public housing unit included in the program).

It should be noted that no public housing units are lost; units for very low income families can be preserved, and MINCS requires virtually no additional federal funds, either in order to develop new units or provide social services.

MINCS is best understood through a discussion of its three major components: public housing revitalization, private housing development and the provision of supportive services.

The public housing revitalization component enables public housing to serve as transitional housing to the working and non-working poor -- by permitting a significantly higher percentage of the housing units in an existing public housing development to be occupied by working families earning up to 80% of median income. This establishes a socio-economic mix of residents in the public housing development. The working families serve as role models for both children and adults and help foster a more stable social environment. I am pleased that the concept of changing the mix of working and non-working families in public housing has been incorporated into your bill.

Working families must be offered incentives to encourage them to move into, and remain in, existing public housing developments. There are three basic incentives which working families will respond to. The first is security. Parents want to know that they are moving into a secure environment where the safety and well-being of their children and themselves will not be threatened. This means that the public housing must have adequate security systems in place.

At Lake Parc Place in Chicago, new systems were put into place which included attractive wrought-iron fencing of the entire site, with limited, gated access to the recreational and play areas, building access limited through a manned, secured entry; residents being carefully screened through a process which included home visits; credit history checks; criminal record checks; school visits; and lease provisions expanded to protect against anti-social, criminal and drug activities.

The second incentive is amenities. Working families are seeking the basic amenities which they can reasonably expect to find in a private affordable housing development. Such things as a clean, well-maintained building, adequate storage space, wooden cabinets in the kitchen, vanities and showerheads in the bathrooms and doors on the closets. These seem rather basic, but in Chicago public housing this whole range of amenities can be found only at Lake Parc Place, which was recently renovated as part of MINCS.

The third incentive is an economic benefit. Working families who are public housing eligible are not affluent. They are living on the edge and generally need to cut costs wherever they can. By offering public housing units with ceiling rents to the working poor, they are given the opportunity to save money for a down payment on a house, or go back to night school to improve their own economic status. By establishing ceiling rents, working families can remain in public housing as a stabilizing force without fear that their rents will rise to an unreasonable level. Based on my experience in Chicago, I would

respectfully encourage the subcommittee to consider the concept of a ceiling rent in H.R. 2406, to permit local housing and management authorities to encourage working families to remain in public housing, and permanently remove the disincentive to work.

The provision of ceiling rents and the greater percentage of eligible working families also creates a financial bonus for the housing authority. The local housing and management authority will realize increased rental income because the ceiling rents are significantly higher than the average rental contribution received from very low income public housing residents and will be sufficient to cover the operating costs of the unit. In Chicago, the average rent paid by a public housing resident is $110.00 per month, while the ceiling rent for a two bedroom unit is $371.00 per month. Given that many of Chicago's public housing developments are located in some of the most desirable areas of the City, this is a terrific bargain and a great incentive to attract eligible working families.

Additionally, as the working family's rent covers the unit's operating costs, the operating subsidy for the unit can be used to lease replacement units in privately owned housing developments.

The private housing development component then uses these available rent subsidies as a means to create incentives for private developers to build new mixed income housing in the blighted communities which so often surround public housing developments. Of the new units developed, 75% are market rate

(affordable to moderate to middle income families) and 25% are leased to carefully screened public housing residents.

The development costs of the market rate units are supported by their rents, while the development costs of the low income set aside units are bought down through a combination of subsidies such as low income housing tax credits, the provision of vacant land or abandoned buildings owned by the City and local property tax abatement.

The rents on the low income units are then low enough to be fully covered by public housing rent subsidies. In this way, in effect, each unit of public housing rented to an eligible working family can be replaced at no additional cost to the government.

I think it is useful for the subcommittee to note that your bill requires the local housing and management authority to determine how they will house very low income families that are displaced by eligible working families. The development component of MINCS is one possible way for local housing and management authorities to expand their supply of housing at virtually no additional cost.

I would like to note that one benefit of the MINCS model is that it shifts the responsibility for the development and ongoing management of the public housing units from the local housing authority to the private owner. It privatizes

the development process. The development costs are borne solely by the developer, reduced in part through whatever state or local assistance may be available. It saves the taxpayer money.

Moreover, MINCS has shown that mixed income developments can stabilize blighted neighborhoods by creating more affordable housing. I would like to respectfully suggest that the subcommittee strengthen the ownership provisions of the mixed income portion of the bill to include a clarifying statement that local housing and management authorities may rent units owned solely by private entities.

In order to create stable affordable housing communities public housing must not only provide decent shelter, but also social and economic opportunities for its residents. The supportive services and economic opportunity component of MINCS requires the non-working public housing residents to participate in a program that facilitates self sufficiency. The program includes job training and job placement, financial management counseling, family counseling and child care. The housing authority provides case management for each participating family and a comprehensive program of services is tailored to meet the family's individual needs.

One of the basis concepts of MINCS is that the cost of opportunity is responsibility. Under MINCS, non-working families, if able, are provided with meaningful job training and a real job. Job training studies have demonstrated

that individuals who know they have a job waiting for them are more likely to successfully complete a job training program. I know, Mr. Chairman, that you share our concerns about the need to create more jobs.

If Section 3 of the Housing and Urban Development Act of 1968 were rigorously implemented, it would ensure that as federal dollars are spent to revitalize our urban communities, low income residents, those living in public housing as well as those who do not, will have increased access to training and jobs.

At Lake Parc Place non-working residents were offered job opportunities working in the administrative office, on grounds maintenance and for the security company which provided services to the building. The success at Lake Parc is noteworthy. After two years of operation, and prior to the implementation of a supportive services program, 22 out of 141 non-working families, or 16% of the leaseholders, had successfully sought and found employment. By simply changing their living environment, these people were able to change their lives.

In Chicago, a mixed income strategy has been proven to work. Mr. Chairman, I invite you to see it for yourself when you visit Chicago next week.

At Lake Parc Place you will see two once devastated, boarded-up public housing high rises that have been transformed into attractive, thriving communities where working and non-working families and their children live

comfortably side-by-side. You will see well-maintained, landscaped, secure grounds and colorful play areas filled with children. You will meet formerly non-working individuals who are now employed. You will see success.

At Orchard Park, CDA's newest development, located on land within the Cabrini Green community, you will see a success in the making. Orchard Park is an attractive 41-unit brick and limestone townhome community whose first phase is near completion. Nestled within the shade of several old trees, these new units will be home to a new mixed income community. 75% of the units will be affordable to middle income families and the remaining 25% will be leased to public housing residents.

Mr. Chairman, new mixed income housing developments not only provide living opportunities for low income residents, they create employment and economic opportunities for the entire community.

At Orchard Park, 38% of our contract dollars for the first ten units have gone to minority-owned businesses, and additional new jobs have been created on the construction site for residents of the community.

When complete, Orchard Park will have transformed a portion of one of Chicago's most devastated communities.

Most importantly, mixed income housing works over the long term. CDA completed its first mixed income development, Midway Gardens, in 1953. Midway Gardens is a 318 unit, 17 story high rise located in the heart of Woodlawn, another of Chicago's troubled neighborhoods. Yet today, over 40 years later, despite the devastation that has taken place around it, Midway Gardens remains an anchor of stability in the community.

Many residents have lived in Midway since the day it opened. Resident incomes range from $3,000 to $50,000 annually and the resident population ranges in age from 9 months to 90 years. Midway Gardens is a testament to the strength and power of a diverse community to survive even the worst of times -- and it is a noteworthy example of the long term viability of mixed income housing.

On your last trip to Chicago, Mr. Chairman, you saw the bad and the ugly. On your next trip I hope you will join me to see the good -- and witness the future.

Let me close by returning to the larger canvass on which Congress and the Clinton Administration is painting, the coming change in the federal government's policy toward affordable housing and community development generally.

As we move forward, we should not lose sight of the successes of the past, or how carefully we must travel to get from where we are now to where we want to be. MINCS demonstrates how we can take existing law, breathe flexibility into it and make wonderful things happen. We need to carefully and completely understand how best to make those changes, how best to get "there" from "here."

During the several months after their introduction, many of us have repeatedly pointed out that the Clinton Administration's reinvention proposals, in public housing, in assisted housing, and in its other components, is too hurried and too unsettling, for the financial markets, for housing providers, for state and local officials and for affected residents above all. There needs to be a period of transition.

H.R. 2406 in its present form is nearly silent on that issue.

In the context of privately-owned assisted housing, we are left to the appropriators to incorporate short-term project-based renewals and demonstration programs in their bill -- substantive housing law that is perhaps best left to the House and Senate Banking Committees.

NHC's concerns about transition are equally strong about the rest of the nation's housing programs as well.

Whatever policy direction we adopt, we have to do so cautiously. The past 65 years have taught us that there is a great deal of good about the nation's housing and community development goals, policies and programs. Any change in direction must be accompanied by the same degree of compassion for those in need and the same appreciation of the neighborhoods and cities in which they live that fostered the last 65 years of housing legislation.

It is clear from your recent speech at the American University that you share NHC's deep concerns about the well-being and economic future of the families and individuals that will be touched by the impending changes in national housing policy. We look forward to working closely with you on the important issues we are addressing today.

Thank you for giving me this opportunity to testify. I will be happy to answer any questions you may have.

JACQUELINE L. JOHNSON, CHAIRPERSON

TESTIMONY BEFORE THE U.S. HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

HEARING ON THE U.S. HOUSING ACT OF 1995

SEPTEMBER 29. 1995

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SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY
OF THE
COMMITTEE ON BANKING AND FINANCIAL SERVICES

HEARING ON THE U.S. HOUSING ACT OF 1995

TESTIMONY
SEPTEMBER 29, 1995

Kus'een yo xat duwasakwak, Lukaxadi a'y'a xat, Yeith hit dax nax sataee Kagwaantaan yadi. Chairman Lazio and members of this Subcommittee, my name is Jacqueline Johnson, my Tlingit name is Kus'een. I am a Raven Sockeye from the Raven house. I am the Chairperson of the National American Indian Housing Council, and the Executive Director of the Tlingit-Haida Indian Housing Authority located in Juneau, Alaska. In addition, I am Vice-Chairperson of the Juneau Tlingit Haida Tribal Council .

Mr. Chairman and members of this Subcommittee, I appreciate the opportunity to testify today on this important legislation. I am honored to speak **about housing for Native Americans who continue to be among the most poorly housed people in the United States.** I also want to thank the Subcommittee's staff who has solicited our ideas and welcomed our comments. We hope to continue our cooperative working relationship.

The National American Indian Housing Council (NAIHC) is a twenty-one-year old association, representing approximately 187 Indian Housing Authorities (IHAs). IHAs are created under tribal ordinance by tribes with the police powers to create governing entities and by state legislatures in those areas where such powers do not exist. IHAs carry out the Department of Housing and Urban Development's (HUD) Indian housing program. Today, IHAs manage about 75,000 units. They are the major providers of housing in Indian Country.

In states like Nevada, North Dakota, South Dakota, Montana, Arizona, Alaska and Maine, Native Americans are the most impoverished rural people.[1] Mr. Chairman, in your own state of New York, there are approximately 13,400 Native Americans living in rural communities or reservations; almost 20% have incomes below poverty.[2] In the state of Nebraska, the Vice-Chairman's state, there are

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[1] "State Data Sheets: An Overview of Poverty and Housing Data from the 1990 Census". Housing Assistance Council Washington, D.C. 1994 Comparison of rural population percentages using State Data Sheets. Comparison with Blacks, Whites, Asian Pacific and Hispanics rural populations.

[2] "Taking Stock of Rural Poverty and Housing for the 1990s". Housing Assistance Council. Washington, D.C. 1994 p. B-4.

more than 5,500 Native Americans living on reservations and rural communities; more than 47% of them are below poverty. Almost 56% of the total rural Native American population in Nebraska are children below poverty.[3]

Yes, Mr. Chairman, my people remain poor and so is their housing. **The need for housing in Indian Country is acute.** Current estimates place the need at between 90,000 and 125,000 units of new or rehabilitated, renovated or modernized housing. Why does our need remain so acute when we, as IHAs committed to housing our people, have struggled so hard to meet the need? While there are probably many reasons, I believe that there some basic changes in Indian housing policy that could bring us relief. These changes fall within four areas:

1) creating a distinctly separate Indian housing program from that of urban housing authorities;

2) allowing IHAs to set their own rents, including ceiling rents, based on incomes, the local economy, and other similar factors;

3) giving flexibility to set priorities that best meet *local* needs; and

4) requiring comprehensive planning from tribal governments and IHAs.

First, programs modeled after urban America should not be forced upon Indian Country. Our struggle in the past thirty-three years has lead us to reach this conclusion. Put in context, the Indian housing rental program, which began in 1962, was modeled after America's *urban* programs of the 1960's. We have spent countless hours of time and energy struggling to make these programs fit our unique cultural, political, and social circumstances. Time and energy that has gone toward forcing a program to meet our needs, could have gone toward solving the housing problems in our communities. Indian housing programs are distinctly different from urban programs.

How are we different? Almost all of our population lives in rural, isolated communities. With few exceptions, our communities lack economic bases which means poverty and unemployment rates are high. The federal government holds most of our land in trust or various forms, thereof. As a result, we have little to no private housing market or private housing stock. IHA jurisdictions can cover huge areas, as much as 3,000 miles[4] or as little as 4 miles[5]. Since we are a land-based people, it is culturally unacceptable to live in concentrated highrises. Instead, we live in single family homes on land that has been passed down through generations.

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[3]Ibid

[4]Aleutian Housing Authority, Anchorage Alaska

[5]Yseleta Del Sur Indian Housing Authority, El Paso, Texas.

Mr. Chairman, I'm extremely pleased that you have specifically asked for our suggestions on how to structure a Consolidated Native American Housing Grant. This shows your commitment to create a distinctly separate program from urban housing authorities for Native Americans and I commend this important step forward.

Second, IHAs want the flexibility to set their own rents. IHAs have long complained about a heavily regulated, complex program. Directors have struggled beneath layers of HUD regulations, supposedly put in place to help better manage our authorities. The result has been restrained flexibility, stifled creativity and reenforced dependence on federal housing programs. We have not been allowed to leverage dollars, nor seek ways to stretch our precious resources. Until *just five months* ago, for example, an IHA could not use its mutual help reserve funds to leverage new dollars in the private market. Literally, millions of dollars sat in bank accounts that could not be touched while IHAs hungrily awaited each year's federal allocations. It is a travesty.

Also, I believe tenants are trapped in a rental structure that prevents them from ever becoming financially strong enough to buy a home. Indian Country has long been an opponent to the Brooke Amendment and we commend any initiative to repeal it. In urban areas, the Brooke Amendment's purpose is to protect tenants from high rents. In Indian Country, it forces tenants to pay high rents. Tenants are forced to pay more rent for an IHA unit on the reservation than they would pay if they lived off where there are competitive markets.

For example, on the Oglala Sioux reservation at Pine Ridge, South Dakota, a tenant pays $449 a month for a 3-bedroom home that rents for $250 in Gordon, Nebraska. Gordon is about 20 miles from the reservation.[6] On the Cheyenne River Reservation in Eagle Butte, South Dakota, a tenant pays $566 a month for a 5-bedroom home that rents for $500 a month in Mobridge, South Dakota, a community 90 miles from the reservation.[7] On the Crow Reservation at Crow Agency, Montana, an employed tenant pays $768 a month for a 3-bedroom home. This home rents for $650 a month in Billings, Montana, the closest non-Indian community to the reservation.[8] Remember, IHA housing is the "only game in town," providing some 55 percent of housing on reservations.

Mr. Chairman, it is imperative that IHAs set their own rents, including ceiling rents, based on incomes, the local economy, and other similar factors. It is not fair that our people work so hard to eke out a living in our communities and then be forced to pay high rents. IHAs and tribal governments should set rents based on their own unique conditions. If tribal governments and IHAs work together to set their own rents, based on local needs and goals, they will work to improve housing conditions and opportunities for homeownership. They will respond to their people's needs and not the requirements of a superimposed federal program.

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[6]Staff member Oglala Sioux Indian Housing Authority. August 3, 1994.

[7]Staff of the Cheyenne River Indian Housing Authority. August 3, 1994.

[8]Staff of the Crow Indian Housing Authority. August 3, 1994.

94-028 - 96 - 6

The concept of income targeting is much talked about today. There is no need for income targeting in Indian Country. Across the United States, almost 50%[9] of Native people fall below poverty levels. In most reservation communities, the lack of sound economic bases and infrastructure has resulted in a significant, poverty-stricken population, where IHA housing programs are the *only* housing choices. IHAs serve the low income and very low income population, by default. Literally, there is no other population from which to draw. (A moderate income level is *beginning* to develop in our communities, but to date, there are not enough moderate income residents to offset the low-income or very low income people.) NAIHC supports the position that it is more acceptable to place a limit on the numbers of moderate income persons that can be served, than to target income levels.

Third, IHAs need flexibility to set priorities that meet individual, local needs. I believe that IHAs should decide where to focus the scarce federal dollars that they receive. We should have the ability to decide at the local level if we need to undertake a development program, or a modernization program, or a combination of both. Since our needs are so acute for both rental and homeownership, constantly IHAs are urged to build more units. Yet, we know our stock is beginning to age and often needs substantial repair. Yet, the needs differ from community to community. For example, in my housing authority, due to overcrowding, I have a critical need for new units. Contrast this need with the Penobscot Indian Reservation, a island reservation on a river in Maine. The buildable land on the Penobscot Reservation is extremely limited. The housing stock, however, desperately needs to be upgraded and renovated. *Their* priorities are just the opposite of mine. All IHAs need flexibility to set individual priorities that will best meet *local* needs.

Fourth, tribes and IHAs should strategically plan to meet their needs. Mr. Chairman, tribes and IHAs have long labored under massive federal regulations. Most directors I know are so overburdened by paperwork, there is scare little time to strategically plan for meeting future housing needs. Day to day problems must take priority. I believe this presents a major problem that affects our destiny. I am a strong supporter of requiring tribes and IHAs to develop comprehensive strategy plans. To creatively plan their futures, to set goals and then to meet them. Collectively, we will never meet our massive housing needs, unless we *plan* to meet them. A plan, however, should be the tool by which *we measure our successes,* not punish our failures.

Mr. Chairman, you also asked for my views on how to build a stronger partnership between IHAs and the private sector. Thanks to the past work of this subcommittee and Vice-Chairman Bereuter, we are in the initial stages of building such partnerships. For the first time, we are seeing movement by the private housing finance sector towards Indian Country. This is so encouraging to our communities. Much of the credit is due to legislation introduced by Mr. Bereuter, and passed by Congress in 1992 -- known as the Indian Loan Guarantee program. The program received its first appropriation in 1993. Under my leadership, NAIHC remains committed to making this program work. This spring NAIHC hired a housing finance expert to help IHAs package their loans. Through this initiative, proposals to build about 80 units for approximately $7 million may be

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[9] "Taking Stock of Rural Poverty and Housing for the 1990s". Housing Assistance Council, Washington, D.C. 1994. p. B-4.

submitted to HUD by September 29, 1995-- using the Indian Loan Guarantee program. For Indian Country, this is a monumental accomplishment! **I strongly encourage you to continue authorization of this important legislation.**

While IHAs have accomplished much, we still have a long way to go. There are few IHAs sophisticated enough to understand complex private loan programs. Most Native Americans need credit counseling and education on home mortgages. There are huge obstacles with the Bureau of Indian Affairs title tracking practices. Also, there is uncertainty as to the commitment of the secondary mortgage market. This Congressional session, the Senate introduced the Native American Financial Services Organization (NAFSO - S.436).

NAFSO creates a Native American financing structure which at present does not exist. It is designed to stimulate the secondary mortgage market purchase of loans made in Indian Country so there will continue to be a steady flow of private sector funds to finance housing. It also provides techncial assistance to IHAs which are trying to develop housing finance in their communities. NAIHC supports this legislation and strongly encourages the Subcommittee to review it and consider it for introduction. But even if such legislation is introduced, **IHAs must continue to be encouraged to reach toward private sector housing finance, and they must be deregulated so that they can leverage their dollars.**

Mr. Chairman, I know that with deregulation comes the question of accountability. We are not asking for deregulation to abuse the system. We welcome checks in the system, such as independent audits or performance measures. NAIHC supports either of these approaches if they are true checks and not measures that confine or inhibit our abilities to meet the acute housing needs in Indian Country.

Before I close, Mr. Chairman, a final word about the issue of trust responsibility. While there is little understanding of this issue by the general American public, there exists a *unique political relationship* between the United States and federally recognized Indian tribes. This relationship, called trust responsibility, is grounded in the U.S.Constitution, hundreds of treaties and Acts of Congress, hundreds of decisions of Federal courts, and in the history of this nation. Trust responsibility establishes and protects the rights of Indian tribes and their people.

Members of this Subcommittee, we are not asking for a handout under the guise of trust responsibility. We know what happens when people become dependent on the federal government. Our communities are full of such people. *However, circumstances in Indian Country are uniquely different from the rest of America.* Many sad conditions, cultivated and fostered by the federal government, exist---now, to reverse these trends will take time. It is possible to meet trust responsibilities and create balanced, vibrant, healthy communities. Indian Country is willing to take the first step but it cannot take all the steps alone. We ask, therefore, that legislation passed by this Congress regarding Indian housing acknowledge the federal government's trust responsibility to Native Americans.

Thank you Mr. Chairman for your consideration of these issues so vital to Native American communities. We look forward to new legislation that separates the Indian housing program from public housing and acknowledges our proposed changes. On behalf of the thousands of people whom NAIHC represents, we look to new partnerships with the federal government that will pave the way for much brighter futures for our children, our elderly -- all our residents.

Omaha HOUSING AUTHORITY

October 19, 1995

The Honorable Rick A. Lazio, Chairman
Subcommittee on Housing and Community Opportunity
of the Committee on Banking and Financial Services
U.S. House of Representatives
B-303 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Lazio:

Thank you for inviting me to testify on September 29, before the Subcommittee on Housing and Community Opportunity regarding H.R. 2406. I appreciate the opportunity to describe not only how the proposed legislation will impact the services provided by the Omaha Housing Authority (OHA), but how it will impact the way housing agencies across this country administer their programs in the future.

As you requested during my testimony, I have enclosed documents which reflect the dispersed locations of OHA's public housing, Section 8 Certificates and Vouchers. I have also included a flow chart which provides an overview of OHA's Resident and Community Services activities. While the majority of these services are provided exclusively for public housing residents and Section 8 clients of the Omaha Housing Authority, our Focus Omaha Program services individuals who reside in Douglas, Sarpy, and Washington counties. Our goal is to provide "one-stop shopping" for individuals to obtain services or participate in educational and/or training activities provided by OHA.

I have also enclosed a flow chart depicting the case management process for referrals we receive through our Agreement with the Nebraska Department of Social Services (NDSS). Accompanying information includes the Social Services Report for the period July 1, 1995 through October 15, 1995, the NDSS Service Plan, Participation Form, Intake Application, Career Plan, and a copy of the notice mailed to all OHA residents and Section 8 participants introducing the partnership between OHA and NDSS.

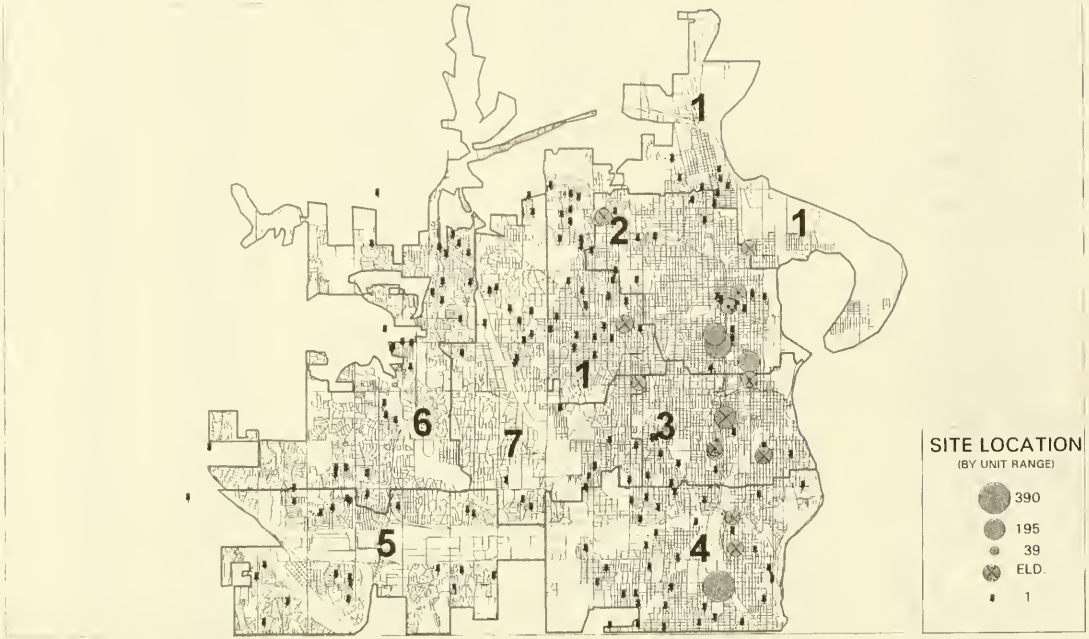
Thank you again, Congressman Lazio, for the opportunity to provide input on the proposed legislation. I look forward to working with you in the coming months.

Sincerely,

Robert L. Armstrong
President and CEO

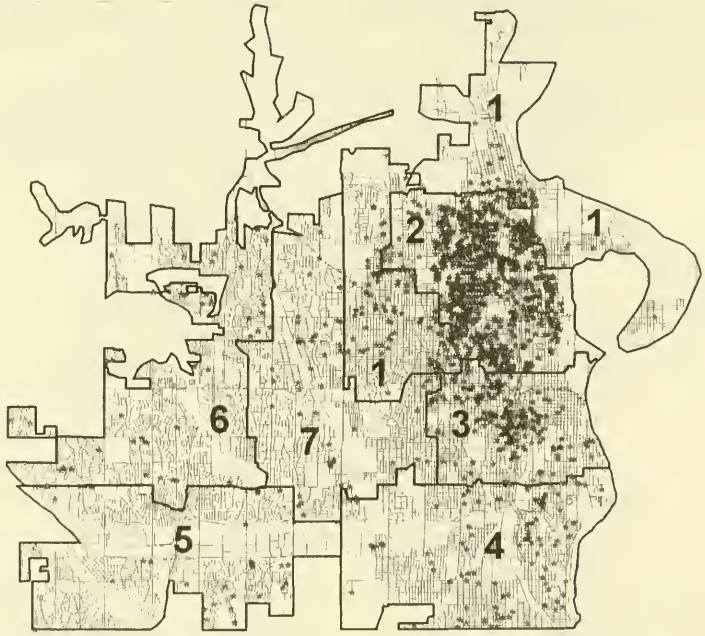
Enclosures

Omaha Housing Authority
INVENTORY LOCATION - PUBLIC HOUSING
by City Council District



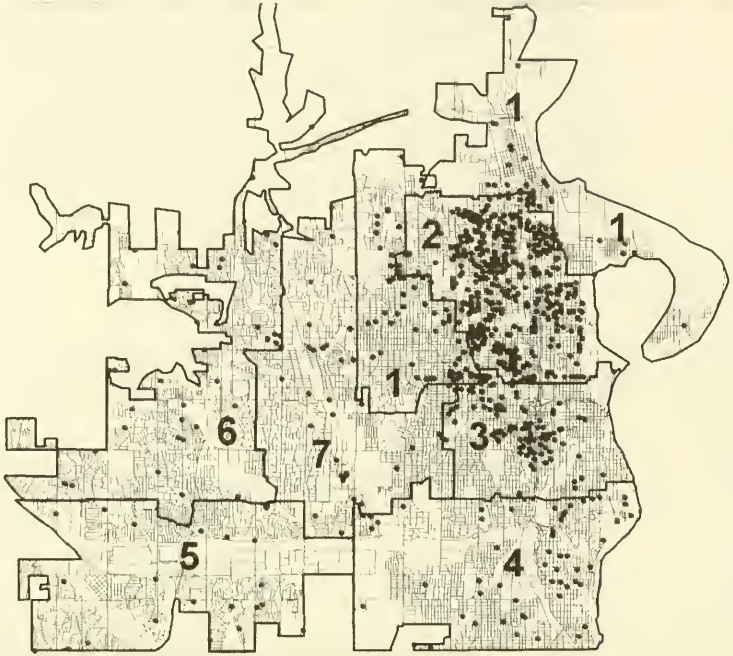
Robert L. Armstrong, President & CEO
Omaha Housing Authority

Omaha Housing Authority
INVENTORY LOCATION - SECTION 8 CERTIFICATES
by City Council District



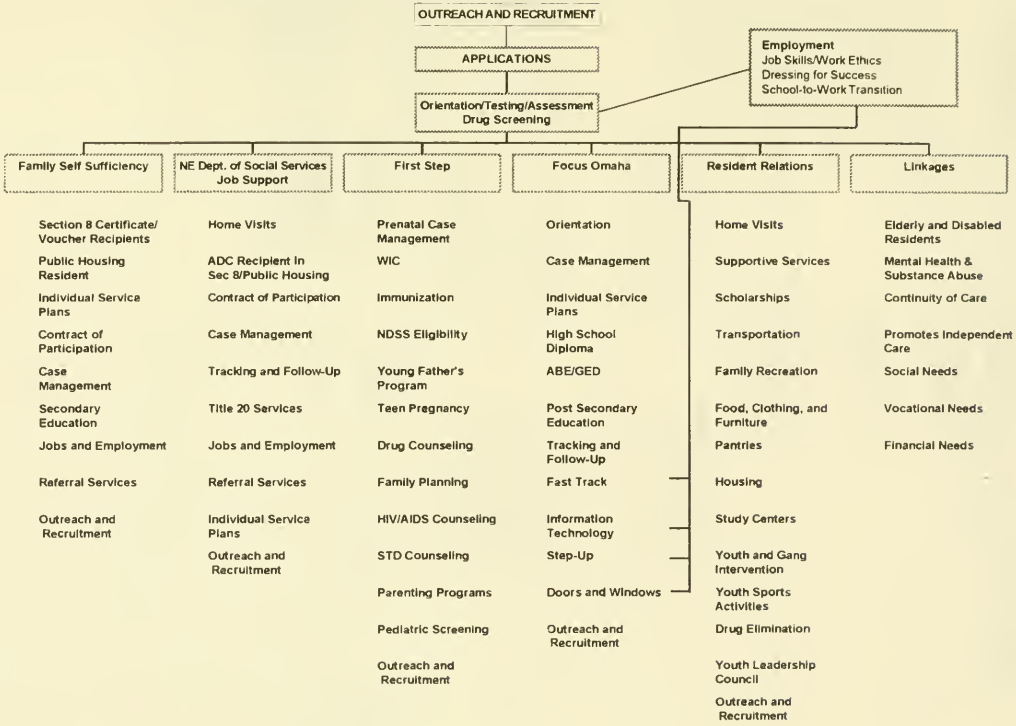
Robert L. Armstrong, President & CEO
Omaha Housing Authority

Omaha Housing Authority
INVENTORY LOCATION - SECTION 8 VOUCHERS
By City Council District

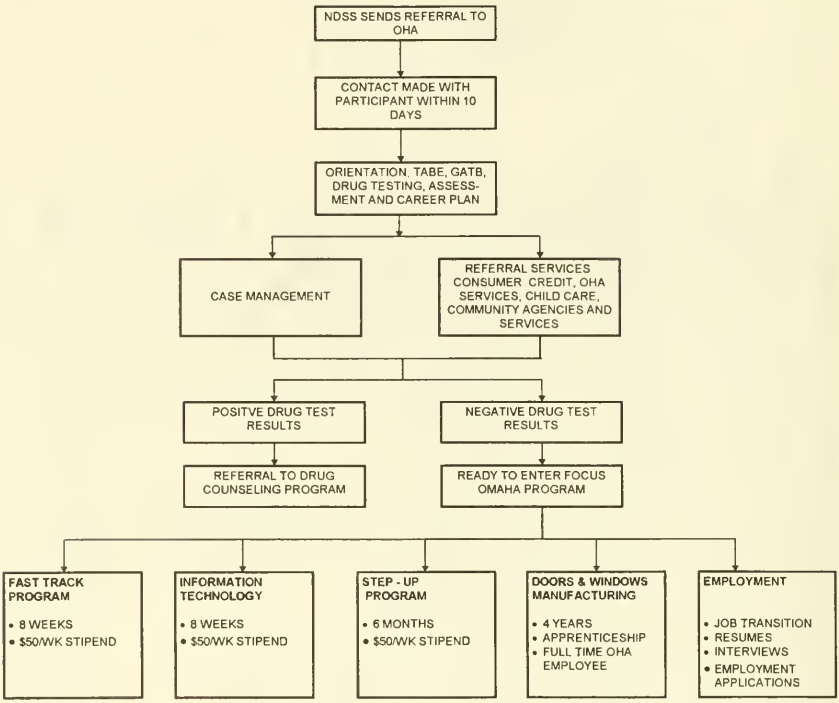


Robert L. Armstrong, President & CEO
Omaha Housing Authority

OMAHA HOUSING AUTHORITY
RESIDENT AND COMMUNITY SERVICES



Case Management Process for Referrals from the Nebraska Department of Social Services.



Omaha Housing Authority/ Nebraska Department of Social Services Report for July 1, 1995 through October 15, 1995

Number of Participants who receive ADC and reside in OHA public housing or Section 8:	2442		
Referrals Received from NDSS:	233		
Referrals Received this Week:	30		
No Contact:	33		
Exempt (Temporary)	6		
Individual Service Plans Completed	127		
Number of Participant Contacted this week (Home / Office):	88		
Failure to Cooperate:	3		
Number of Referrals Being Case Managed	200	**Total Cost**	$45,330.00
Drug Test Completed	22	**Total Cost**	$1,650.00
Career Assessments Completed	52	**Total Cost**	$4,625.00

TABE (Test of Adult Basic Education)

Total Completed	80		
TABE Prior to Contract	28		
NDSS Referrals that TABED	52	**Total Cost**	$6,500.00

Focus Omaha

Information Technology Participants	7
Fast Track Participants	16
Step Up Participants	3

Education

Participants with High School Diploma or GED	155
Participants with No High School Diploma or GED	37
Participants Enrolled in Adult Basic Education	47
Participant Enrolled in Post Secondary Education	36

Job

Participant Referred for Job Transition	14
Participants Currently Employed	33

Total Amount Billed $58,105.00

TABE

The Test of Adult Basic Education (TABE) is a national standardized test that identifies basic skills. It is designed to assess achievement in Reading, Mathematics, Language, and Spelling. The TABE is not a "Pass/Fail" exam, but merely an assessment tool to obtain a general evaluation of a student's skill level.

CAREER PLAN AND INDIVIDUAL SERVICE PLAN

After the TABE, participants take the General Aptitude Test Battery (GATB) to determine general areas of vocational interest and aptitude in addition to the basic skills tested by the TABE. These results are then scored and finalized into an individualized Career Plan for each participant. The Career Plan matches GATB results with TABE results to help the participant better understand how his or her vocational interests may coincide with his or her skill strengths. Together with a personal interview, the counselor uses these results to help the participant develop short term goals, understand some of the obstacles to these goals, and identify possible ways to overcome the obstacles.

The Career Plan identifies areas of strengths and weaknesses, makes recommendations as to those areas that need improvement, and those in which the participant is adequate or well-skilled. The Plan lists short-term goals for each participant, including recommended basic education classes, technical classes, or college-level classes. The Plan helps the participant identify any barriers to the long-term goal of self-sufficiency. These barriers may seem insurmountable when viewed as a whole, hence the Plan simplifies them into smaller, short-term obstacles that can be overcome one at a time. The most common of these barriers include financial problems, educational deficiencies, and life obstacles.

After the Career Plan has been completed and discussed with the participant, an "Individual Service Plan" is developed for the family. The Individual Service Plan outlines the family's path to self-sufficiency. It identifies the goals to be achieved and a time frame by which the goals must be reached. All goals and objectives are clear, specific, measurable, and realistic. Each family member has responsibilities within the Individual Service Plan. The Individual Service Plan is used as a flexible tool. If the participant is not achieving progress in their plan, it will be reevaluated and changed accordingly.

OMAHA HOUSING AUTHORITY / NEBRASKA DEPT. OF SOCIAL SERVICES
INDIVIDUAL SERVICE PLAN

NAME: _____

START DATE: _____

ULTIMATE GOAL: _____

Objective #1:
Services needed to reach objective:
_____

Objective #2:
Services needed to reach objective:
_____

Objective #3:
Services needed to reach objective:
_____

Objective #4:
Services needed to reach objective:
_____

Objective #5:
Services needed to reach objective:
_____

I understand my responsibilities and obligations in the completion of the objectives and action steps contained in this Individual Service Plan. I also understand that these objectives and action steps can be revised as become necessary.

_____ _____
Signature of Applicant Date

_____ _____
Signature of Staff Date

OMAHA HOUSING AUTHORITY / NEBRASKA DEPT. OF SOCIAL SERVICES
INDIVIDUAL SERVICE PLAN

NAME: _____

START DATE: _____

ULTIMATE GOAL: _____

OBJECTIVE #1: _____

ACTION STEPS	DONE BY WHOM	WHEN	DATE COMPLETED	REVIEW DATE	COMMENTS
1.					
2.					
3.					
4					
5.					

I understand my responsibility in the completion of the above stated action steps

_____ _____
Signature of Applicant Date

_____ _____
Signature of Staff Date

STATE OF NEBRASKA

DEPARTMENT OF SOCIAL SERVICES
Mary Dean Harvey
Director

E. Benjamin Nelson
Governor

OMAHA HOUSING AUTHORITY PARTICIPATION FORM

I agree, as part of my Job Support Employability Plan, to be referred to Omaha Housing Authority for Assessment and Case Management activities.

I understand that voluntary drug testing is part of the Omaha Housing Authority assessment process.

If positive results of drug testing occur, there shall not be a loss of public assistance and/or public housing benefits.

Line One - I agree_____
(signature)

Line Two - I do NOT agree_____
(signature)

Date: _____

Printed Name: _____

NDSS Worker: _____

AFTER YOU HAVE SIGNED ON ONE OF THE LINES ABOVE, RETURN THE FORM IN THE PROVIDED ENVELOPE TO GRETCHEN ORENT AT 1215 SOUTH 42 STREEET, OMAHA, NEBRASKA, 68105

OMAHA OFFICE
1215 South Forty-Second Street • Omaha, Nebraska 68105 • Phone (402) 595-3400
An Equal Opportunity/ Affirmative Action Employer
printed on recycled paper

OMAHA HOUSING AUTHORITY
RESIDENT AND COMMUNITY SERVICES
INTAKE APPLICATION

Referred By:_____

Family Self-Sufficiency OHA/NDSS | Focus Omaha Resident Relations | First Step

Please ask for help if there is anything on this form that you do not understand.

General Information

1. Last Name:	2. First Name:		3. M.I.:	4. Date of Birth:	
5. SSN:	6. What is your marital status? (circle one) Single Married Separated Divorced				
7. Home Address	Apt	8. City	9. State	10. Zip Code	11. County:
12. Mailing Address	Apt	13. City	14. State	15. Zip Code	16. County:

17. Is English your first language? Yes ◯ No ◯ If no, what is your first language?

18. Are you a Veteran? Yes ◯ No ◯ 20. Are you registered with the Selective Service? ◯ Yes ◯ No

19. If Veteran, type of discharge:

21. Do you have a valid drivers license? Yes ◯ No ◯ 22. Do you own an automobile? ◯ Yes ◯ No

23. Is your vehicle reliable? Yes ◯ No ◯ 24. Do you have car insurance? ◯ Yes ◯ No

25. What is your race or ethnic group? (i.e., Black, White, Hispanic, etc.):

26. Do you receive food stamps? Yes ◯ No ◯ 27. Do you receive WIC? ◯ Yes ◯ No

28. Are you paying child support? Yes ◯ No ◯ Who?

29. Have all family members received their immunization shots? ◯ Yes ◯ No

30. Have you been convicted of a crime In any civil or military court? Yes ◯ No ◯ If yes, please list:

31. List all the people living in your household (related and non-related):

Names	Relationship to Applicant	Date of Birth	Name of School Attending	Income: AFDC, SSI, Child Support, or Other, Please List	Social Security Number
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

32. Any anticipated change in family composition? Yes ◯ No ◯
If yes, please explain:

Education History

33. Please complete the following for all high schools and/or colleges you have attended:

Dates of Attendance	Name of School	Highest Level Completed	Major/Course of Study	Did You Graduate?

34. Do you have a high school diploma? ◯ Yes ◯ No 34b. Do you have a GED? ◯ Yes ◯ No

35. Please list any special skills or licenses held:

OMAHA HOUSING AUTHORITY
RESIDENT AND COMMUNITY SERVICES
INTAKE APPLICATION

Work History

36. Have you ever worked before? ◯ Yes ◯ No If yes, please complete the following:

36b. Please list any past or current employers, most recent employer first

Employer	Address and Telephone No.	Dates of Employ-ment	Monthly Salary	Position Held	Reason for Leaving
(1)					
(2)					
(3)					
(4)					
(5)					

37. Have you participated in any job training programs? (i.e., JTPA, Project Resolve, OOIC, etc.) ◯ Yes ◯ No

37b. Please list the training in which you participated:

Job Training Program	Completed Yes or No	Date Completed	Certificate Received Yes or No
(1)			
(2)			
(3)			
(4)			
(5)			

Health Information

38. Do you have health insurance? ◯ Yes ◯ No If yes, who is your carrier?:

39. Are you taking any medications? ◯ Yes ◯ No If yes, please list:

39a. Do you have any side effects from the medication? ◯ Yes ◯ No If yes, please explain:

40. Are you under a doctor's care? ◯ Yes ◯ No If yes, please complete the following:

40a. What is the health problem?

40b. How long do you expect to be under a doctor's care?

40c. Does this problem limit the kind of work you can do? ◯ Yes ◯ No If yes, please explain:

Emergency Contact

41. In case of an emergency who should we notify?

Name	Address	Relationship	Phone Number

Rights and Responsibilities

This form is being submitted as a joint application to the Omaha Housing Authority for one or more of the following programs: Family Self-Sufficiency, Focus Omaha, OHA/NDSS, First Step, and Resident Relations.

I certify that everything on this application is the truth as best I know it.

Signature of applicant or legal guardian	Relationship to Applicant	Applicant's Telephone Number	Date
Signature of person completing this form		Relationship to Applicant	Date

FOR AGENCY USE ONLY

RES REL ◯ FS ◯ NDSS ◯ FSS ◯ FOCUS ◯ DATE RECEIVED BY AGENCY:

Omaha HOUSING AUTHORITY

CAREER PLAN

PERSONAL DATA

1. COUNSELING START DATE: _____

2. LAST NAME: _____ FIRST: _____

3. STREET ADDRESS: _____

4. CITY: _____ STATE: _____ ZIP CODE: _____

5. HOME TELEPHONE NUMBER: _____ WORK TELEPHONE NUMBER: _____

6. SOCIAL SECURITY NUMBER: _____

7. EDUCATIONAL DATA - (check all that apply):

_____ High School Diploma Year Acquired: _____

_____ GED Year Acquired: _____

_____ College/Postsecondary Study

Name(s) of College(s) You Have Attended:

_____

_____

_____ No Degree Study Area:_____ Date:_____

_____Associate's Degree Study Area:_____ Date:_____

_____Bachelor's Degree Study Area:_____ Date:_____

_____Master's Degree Study Area:_____ Date:_____

8. FAMILY BARRIERS - Please list the barriers in your family that may interfere with achieving your goals (such as disabilities, transportation problems, child care difficulties, etc.).

_____

_____

_____

9. ACADEMIC ACHIEVEMENT (check all that apply) _____ College Board (raw score) _____ TABE (G.E.)

Reading: _____ / _____ Language: _____ / _____ Math: _____ / _____

Algebra. _____ / _____ Science: _____ / _____ Spelling _____ / _____

Comments / Interpretations / Recommendations:

_____

_____

_____

_____

_____

10. INTEREST INVENTORY (check all that apply) _____ Strong _____ Career Assessment Inventory

Inventory Themes (record VH for Very High; H for High; M for Mid-range; L for Low; VL for Very Low)

Realistic/Crafts _____ Enterprising/Business _____ Social _____

Artistic _____ Investigative/Scientific _____ Conventional/Clerical _____

Comments / Interpretations:

_____

_____

_____

_____

_____

11. VALUES - Check important values (prioritize, if possible, with 1 denoting the most important value):

_____ Working With Information (data)
_____ Working With People
_____ Working with Hands (things)

_____ Being a Leader
_____ Being a Follower

_____ Working Under Supervision
_____ Working Independently

_____ Staying Put
_____ Advancement

_____ Working Under High Structure
_____ Working Under Little Structure

_____ Working With a Set Routine
_____ Working With Variety/Diversion

_____ Being Creative
_____ Prestige
_____ Job Security
_____ Good Salary

_____ Contribution to Society
_____ A Job That Meets my Interests
_____ Challenge
_____ Leisure

_____ Easy Commute
_____ Flexible Hours
_____ On-The-Job Learning

Other, specify. _____

12. SKILLS - ABILITIES (check all that apply): _____ GATB _____ Singer Work Stations (see attached report)

Key For Interpretation - Without Addition of Standard Error of Measurement

1. Superior Range - 120+
2. Average Range - 80-119
3. Below Average Range - 70-79
4. Significantly Below Average Range - 60-69
5. Invalid - 59 of Below

_____ General Learning _____ Spatial Perception _____ Motor Coordination
_____ Verbal Aptitude _____ Form Perception _____ Finger Dexterity
_____ Numerical Aptitude _____ Clerical Perception _____ Manual Dexterity

_____
_____
_____
_____

13. SHORT-TERM GOAL:

_____
_____
_____
_____

14. LONG-TERM GOAL:

_____
_____
_____
_____

15. OBSTACLES THAT MAY INHIBIT REACHING GOALS:

_____
_____
_____
_____

16. PRE-VOCATIONAL ACTIVITIES (check all that apply):

_____ Shadowing Experiences _____ Interviewing Skills
_____ Informational Interviews _____ Create/Update Resume
_____ Career Research _____ Hygiene
_____ Values Clarification _____ Work Samples
_____ Other:_____

17. EDUCATION PLAN - (check all that relate to the resident):

	Level	Study Area(s)	School Name	Start Date
____	On-The-Job Training	_____	_____	_____
____	Skill Upgrading/Development	_____	_____	_____
____	Vocational Certificate	_____	_____	_____
____	Associate's Degree	_____	_____	_____
____	Bachelor's Degree	_____	_____	_____
____	Master's Degree	_____	_____	_____
____	Competency-Based Credit	_____	_____	_____
____	CLEP Testing	_____	_____	_____

Additional Comments:

_____
_____
_____
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_____

18. NEXT STEPS - Comments / Observations / Recommendations:

_____
_____
_____
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_____
_____
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_____
_____
_____

Resident's Signature: _____ Date: _____

Counselor's Signature: _____ Date: _____

Omaha HOUSING AUTHORITY

July 12, 1995

NOTICE TO ALL OHA RESIDENTS AND SECTION 8 RECIPIENTS

On June 1, 1995, the Housing Authority of the City of Omaha entered into a contract with the State of Nebraska Department of Social Services to provide assessment and case management services, designed to help job support participants who reside in public housing to become economically self-sufficient. The contract between the Housing Authority of the City of Omaha (OHA) and the State of Nebraska Department of Social Services (NDSS) is essentially a contract to enable Aid to Dependent Children ("ADC") recipients/job support participants, residing in public housing or receiving Section 8 assistance to become self-sufficient through assessment and case management services to be offered by OHA.

In an effort to reverse the trend of poverty that is the cause of many unfavorable conditions, including undeveloped skills, low self image, lack of confidence in one's ability to achieve and often unacceptable behavior in society, OHA will lend its expertise and experience in the development and delivery of assessment and case management services to help public housing residents and Section 8 recipients who face serious barriers to employment that may enable them to become self-sufficient.

If, as a public housing resident and/or a recipient of Section 8 subsidies, you receive ADC benefits from the NDSS, you will be required to participate in the OHA/NDSS Job Support Program. You will receive information when you are identified as a candidate for the program. Initial contacts will be made and one of the four locations will be assigned to you, along with a Case Facilitator, who will assist you with a plan to become economically self-sufficient. The OHA looks forward to working with you. If you have any questions, contact Tracy Robinson, OHA/NDSS Coordinator at 444-3377.

Thank you.

Sincerely,

Robert L. Armstrong

Robert L. Armstrong
President and CEO
Housing Authority of the City of Omaha

RESPONSE BY ROBERT L. ARMSTRONG
TO SUPPLEMENTARY QUESTIONS POSED BY
THE HONORABLE LUCILLE ROYBAL-ALLARD
COMMITTEE ON BANKING AND FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

October 18, 1995

QUESTION 1

In the September 29, Senate hearing on Public Housing Secretary Cisneros testified that he is confident that HUD can supervise an accreditation and oversight board for public housing. What relationship would you like to see between the proposed review board and HUD?

RESPONSE

None. I don't believe that HUD is capable of adequately monitoring a public housing oversight/review board. Historically, HUD has not been effective in evaluating the work of public housing agencies. HUD's evaluation systems have not been successful in improving public housing over the years so I have no confidence they can effectively carry out the task of supervising an accreditation board.

QUESTION 2

What suggestions do you have for how the two entities can monitor the performance of housing authorities and the process used by the authorities without producing overly burdensome requirements on the authorities?

RESPONSE

As I have stated many times before, deregulation is necessary in order to give local housing authorities (LHAs) the freedom to plan their activities based on local needs and conditions. I believe that authorities should be judged by how well they plan and implement their programs. The idea of a review board is a good one as long as it is made up of representatives from the public housing industry who have experience and understand how housing programs should run. The more regulations you have, the less effective the programs will be. Congress should set parameters on who should be served, and let the housing authorities develop programs that make sense for their localities. The focus of the monitoring should be on the end result and not on the process.

Response by Robert L. Armstrong
to Supplementary Questions by Lucille Roybal-Allard
October 18, 1995
Page 2

QUESTION 3

The Chairman's bill requires residents to work eight hours a month in the HMA community. Exemptions are made for elderly, disabled, students, employed or training individuals. Requiring individuals to work in the HMA community is an admirable attempt at community involvement but what administrative problems do you see for housing authorities if such a requirement is implemented?

RESPONSE

I see absolutely no problems in administering this requirement. Any well managed agency could implement and monitor this requirement with no problem.

QUESTION 4

Are there other categories of individuals that you feel should be exempted from the work requirement?

RESPONSE

No.

RENEWING AMERICAN NEIGHBORHOODS: "THE UNITED STATES HOUSING ACT OF 1995" H.R. 2406

- SUMMARY -

The United States Housing Act of 1995 is the first step in creating a new role for government in efficiently and effectively helping American neighborhoods. It repeals the United States Housing Act of 1937 in its entirety and replaces it with community-based policies to deal with public housing and demand-based rental assistance programs (Section 8).

Generally, the Act deregulates and decontrols housing authorities, allows more flexible and creative uses of federal funds, increases PHA accountability, provides HUD with substantial tools to treat troubled housing authorities more quickly and efficiently, provides incentives for residents who work, and, to the greatest degree possible, makes rental assistance vouchers equivalent to money and to allow the landlord-tenant relationship to replicate the private market.

Title I
GENERAL PROVISIONS

Title I contains provisions applicable to both the public housing and rental assistance programs. Families targeted for assistance are those who make 80% or below the median income for the area. Jurisdictions are provided authority to revise these levels upward or downward if the area has particularly high or low income levels.

Local Housing and Management Authorities (LHMAs) replace public housing authorities (PHAs). With certain exceptions, each LHMA is required to have a Board of Directors with one (1) duly elected resident unless the LHMA is a State/Local entity charged with activities not related to housing.[1]

[1] Some jurisdictions, usually in rural areas, do not have a formal PHA. Instead, city commissioners or county commissioners are responsible for acting as the PHA. To avoid prescribing local election procedures, these organizations are exempted from the requirement of having a resident commissioner. Obviously, a resident can run for county/city office.

Income exclusions, to determine adjusted income levels may, for the most part, be determined by the LHMA; they must establish exclusions for the elderly/disabled, medical expenses, child care expenses. [NOTE: Other potential exclusions may be for minors, travel expenses and earned income are existing law. The earned income exclusion, a component of rent reform, is new.]

Finally, LHMAs are provided with the authority to develop occupancy limitations as they relate to former drug/alcohol abusers. The standard for precluding the occupancy of these applicants is if the agency has reasonable cause to believe the former substance abuser will interfere with the peaceful enjoyment of the premises by the other residents.

TITLE II
PUBLIC HOUSING
Subtitle A--Block Grants

Title II applies only to the public housing program. Subtitle A establishes a block grant to provide housing assistance to low-income families. The Secretary is authorized to enter into a contract, conditioned upon accreditation by the Housing Foundation Accreditation Board, with the LHMA to provide federal funds for housing. In return, the LHMA must agree to: 1) provide "safe, clean, healthy, affordable" housing; 2) operate housing in a financially sound manner; 3) use federal funds in accordance with the Community Improvement Plan (CIP); 4) utilize the residence in management issues; and 5) manage the housing effectively and efficiently.

Block grant funds may be spent on: production, operations, modernization, resident programs, homeownership programs, resident management, demolition, vouchers, emergency corrections, preparing strategic plans, and liability insurance.

During the transition period, the block grant amount is determined using three existing formulas: 1) comprehensive grant; 2) performance funding subsidy (chronically vacant units are excluded from the calculation of subsidy); and, 3) tenant-based section 8. HUD will, through negotiated rulemaking, determine the formula and then submit it for approval by Congress.

LHMAs are required to submit a CIP for review by the Secretary. The purpose behind the plan is twofold: first, the plan describes the mission of the LHMA and goals,

objectives and policies to meet the housing needs of the families living in the jurisdiction. The LHMA will describe how they intend to meet these goals. Additionally, the plan describes any programs operated by the LHMA, including the Homeownership, self-sufficiency, and occupancy requirements. The second purpose of the plan is to provide a framework for the HFAB to measure success reaching the goals of the LHMA.

Subtitle B--Admissions/Occupancy Requirements

Developments can be built or reconfigured to serve both a low-income or mixed-income clientele. Statutory and legal obstacles to creating mixed-income developments or utilizing other income sources like tax credits have been eliminated.[2] For example, LHMAs may form limited partnerships for the purposes of development as long as they retain a major interest in the units designated public housing. Furthermore, rather than requiring PHAs to make payments in lieu of taxes (PILOT) in return to tax-exempt status, the State/local government may make other contributions, including cash payments and tax remission. Federal preferences are repealed in favor of allowing LHMAs to create local preferences that mirror their local housing needs.

Family rental contributions[3] are determined by: 1) the family adjusted income; 2) type and size of unit required; and 3) operational expenses of the unit. The rent must be between the minimum and maximum rent set by the LHMA for the unit. Reviews of rental contributions occur annually for non-elderly families and every three (3) years for elderly families.

Minimum lease requirements include obligations by the LHMA to provide clean, safe, healthy housing. Additional lease provisions provide LHMAs with authority to

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[2] The statutory and regulatory framework contemplates LHMA ownership, development and operation of public housing. Furthermore, the statute requires the project be tax-exempt and a 40-year commitment that the housing will be public housing. Using tax credits, however, generally utilizes a limited partnership as the ownership entity that pays taxes. While these statutory impediments can be overcome, HUD's basic issues remain of whether a limited partnership may step into the shoes of the LHMA and, if so, how the Federal interest in the project may be protected against an entity not a LHMA.

[3] Existing law prescribes the family rental contribution at 30% of adjusted income. Neither ceiling nor minimum rents are present.

terminate tenancy if a resident's action: 1) threatens the peaceful enjoyment of other residents on the premises; 2) threatens the safety of persons in the immediate vicinity; or 3) is drug-related or other criminal activity.

Residents are required to work eight (8) hours/month in the LHMA community unless they are: 1) elderly; 2) disabled; 3) working; 4) a student; or 5) enrolled in a job-training program.

Housing may be designated exclusively for elderly or disabled residents if: 1) is necessary to achieve the housing goals of the jurisdiction; and, 2) meets the housing needs of the jurisdiction's low-income population.

Subtitle C--Management

LHMAs are authorized to manage as well as to contract out the management of facilities. Administrative grievance procedures must be established; however, for the purposes of evictions or termination of tenancy, state landlord/tenant law applies.[4] LHMAs are required to provide safe, clean, healthy housing that meets requirements of local codes. LHMAs must comply with federal civil rights laws and may not engage in discriminatory practices.

Residents may establish resident councils.

Additionally, resident management corporations (RMCs) may be established to manage a development. If an RMC is established, LHMAs and the RMC enter into contracts containing the rights and responsibilities of the respective parties. Block grant funds are provided directly to the RMCs which must abide by the statutory rules and regulations imposed upon the LHMAs.

At the request of residents, management of a development can be transferred to an independent manager if: 1) the housing is owned by an unaccredited LHMA; or 2) the housing is severely distressed. Like LHMAs and RMCs, the management entity is monitored by HUD and reviewed by the HFAB.

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[4] Under current law, residents can block/prolong termination of their tenancy by utilizing a PHA-based administrative procedure even though the local courts upheld the PHA' eviction.

Subtitle D--Homeownership

LHMAs may create homeownership programs for eligible low-income families. As part of this program, LHMAs may establish other eligibility requirements for purchase including counseling, income levels, or absence from criminal activity. Although the financing mechanism is determined by the LHMA (to avoid a "one size fits all" result), a downpayment determined by the LHMA is required of the family. Homes may be resold, but LHMAs may establish limitations on resale to recapture a portion of the amount of assistance provided by the LHMA to the family.

Subtitle E--Disposition and Demolition of Projects

Prior to demolishing or selling a development, a LHMA must provide in its CIP information that: 1) establishes the reasons for the demolition or sale; 2) describes the manner in which residents are to be relocated; 3) describes how the proceeds from the sale will be used; and 4) establishes a mechanism for consulting with the local government and residents.

Housing may be demolished in the following circumstances: 1) it is obsolete; 2) it is unsuitable for housing purposes; 3) the costs of modernizing it are prohibitively expensive; 4) after rehabilitation, it cannot be operated cost-effectively; or 5) demolition of a portion of the project will ensure the remaining useful life of the remainder of the development.

Resident organizations and RMCs are provided with a right of first refusal if the property is sold. To take advantage of this right they must make a bona fide offer within 60 days that reflects the market value of the property.

Subtitle E--Oversight of Housing Management Agencies

A Housing Foundation and Accreditation Board (HFAB), created in Title IV, has two responsibilities: 1) to accredit housing providers, including LHMAs and rent-assisted housing; and 2) to establish a procedure by which HUD will evaluate the performance of the LHMAs.

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Upon expiration of the accreditation period, which can be no longer than 5 years, the HFAB shall perform a comprehensive review of the LHMA's performance and: 1) accredit the LHMA; 2) qualify the accreditation by limiting the length for which the LHMA is accredited and the term of the block grant contract; 3) place conditions on the accreditation based on future performance; or 4) discredit the LHMA. The evaluation procedure will include benchmarks/indicators as well as standards and guidelines to determine whether an LHMA is extremely well-managed, well-managed, troubled, or dysfunctional.

In the event an LHMA is classified as "troubled," the Secretary may require 1) a performance agreement to improve conditions at the LHMA; 2) conveyance of title or possession of the property to the Secretary; and 3) removal of ineffective LHMAs. If a troubled LHMA does not meet the performance goals and/or implement the strategies to improve conditions at the LHMA within one year, the Secretary is required to declare a breach of the LHMA contract and remove the LHMA.

If an LHMA is removed, HUD or HUD's delegate may: 1) competitively hire a different housing manager, 2) take possession of the LHMA or, if all else fails, 3) petition for the appointment of a receiver. In the event of a HUD takeover, the Secretary or delegate is provided with the power to abrogate contracts, demolish or sell assets, establish one or more LHMAs, and supersede State/local laws.

Additionally, HUD is required not to renew the expired contract of a LHMA that fails to be accredited by the HFAB. In that event, HUD must hire, on a competitive basis, a new LHMA to operate the facilities.

The Secretary is required to: 1) replace the management of or 2) take possession of a chronically troubled PHAs. "Chronically-troubled" PHAs are those that have been on HUD's troubled list continually for three consecutive years. [NOTE: Of the approximately 100 troubled PHAs, 15 are large. Under this provision, approximately 10 large PHAs will receive the death penalty. Most of the small PHAs have on-scheduled modernization plans and will likely be excluded from the takeover requirement.]

TITLE III
CHOICE-BASED RENTAL HOUSING

Title III consolidates the existing Section 8 certificate and voucher programs into a choice-based rental housing program. Based upon the fact that housing assistance needs continue to grow but owners are leery of the existing Section 8 program, the goal of this portion of the legislation is to make the rental assistance program more acceptable in the private rental market. Therefore, vouchers should act like money and the landlord/tenant relationship should be premised on mutual responsibility.

Several obstacles have been removed from the statute including: 1) eliminating the requirement to notify HUD 90 days before terminating the contract; 2) allowing leases to conform to generally accepted leasing practices; 3) eliminating the endless lease; 3) streamlining the inspection process; 4) repealing the "take-one, take all" provision, 5) allowing evictions for just cause, and 6) attempting to deal with portability issues.

Rental indicators are established annually by the Secretary but the LHMA may establish local payment standards to reflect neighborhood apartment values.

TITLE V
HOUSING FOUNDATION AND ACCREDITATION BOARD

The purpose of this title is to establish a professional Board to carryout the following functions: 1) evaluate all "deep subsidy" rental assistance programs; 2) establish standards and guidelines by which to measure the performance and efficiency of LHMAs and other owners and providers of federally assisted housing; 3) create an LHMA assessment procedure; 4) accredit LHMAs in a fashion similar to that used by hospitals and universities. 5) provide information and technical assistance; and 6) establish and charge fees for the accreditation of LHMAs and for technical assistance.

Not later than 180 days after enactment of the Neighborhood Renewal Act, the President shall appoint 12 members to the HFAB--four members appointed from recommendations of the House, four from Senate recommendations and four from HUD recommendations. The members shall serve four year terms, except the initial appointees who shall serve staggered terms.

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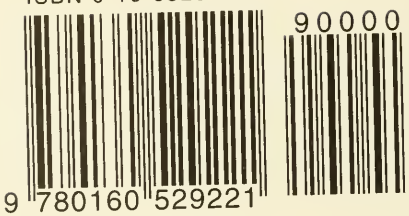
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